

How to do inclusive growth

A six-step programme



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Introduction

Political buzz words come and go, modernisation, joined-up government, stakeholder society, the Big Society and so on. But the idea of inclusive growth – where the structure and distributional impact of the economy is as important as the increase in output – comes from a deeper yearning for change. Prosperity has failed to trickle as it was promised, and policy-makers fear the political consequences of that failure – the populists, the demagogues, the emotional lurches to right or left extremes.

Policymakers understand that it is no longer acceptable for poverty and economic insecurity – trends that on many measures are getting worse, not better – to sit alongside great wealth concentrated within the hands of the top 1%. The economic policy solutions offered vary hugely between the two main political parties in Westminster. But the need for more inclusive economic growth is the common thread.

So what can we do to shape a new kind of inclusive growth? What does this mean for national government, sub-regions and the cities and towns of the UK? In late 2018 we wrote a think piece on the inclusive growth debate, highlighting how inclusive growth can revive progressive politics. To go beyond the debate we need practical steps. A grass roots approach to inclusive growth is beginning to emerge, and we at CPP have been tracking it – as informed observers and, in some places, as active participants of change.

This publication is a six-step programme which places need to make their own in order to embed inclusive growth. This gives us an opportunity to showcase examples from our own line of work and reflect further on what we have learned so far from working with regions across the country.

How to do local inclusive growth

Step 1: build a shared, binding vision

The objective here is to align mission and purpose within places, informing and motivating sectors to drive structural change. It needs big employers, anchor institutions, universities and colleges, and of course, local citizens. The purpose is to find a method that identifies a collective vision, and a means to share responsibility for achieving it. This shared vision must be locally defined and a locally relevant version of inclusive growth that inspires leadership, participation and collaboration across the whole of the place and its communities.

The shared vision must be locally defined and locally relevant

Ways of achieving a shared vision

Large-scale, cross-sectoral exercises were pioneered by American cities, notably in Seattle in 1999 or Imagine Chicago, Imagine Chattanooga or Pittsburgh's Strategy 21 before that.¹ Places such as **Seattle** have continued in their commitment to community inclusion which has recently led to interventions

to raise the local minimum wage, expand education access and increase affordable housing – it has not been a linear journey however with progress changing pace over time.² Other notable examples include Leipzig's SEKo 2020 (this is not just a North American idea) and San Antonio 2020.³

UK cities have been slower to undertake ambitious, citizen-led visioning exercises of this kind. But those that have come close include Belfast, Bristol, Oldham and Barking & Dagenham. **Bristol's One City Plan**, inspired by New York's ONENYC plan, is the result of City Gatherings, including members of the public, business, third-sector organisations and public sector agencies to shape a vision of the city with inclusive, sustainable growth at its heart. The city is now working with cross-sector partners to develop practical action plans to solve persistent inter-dependent challenges that are priorities for the city. This approach, underpinned by collaborative, cross-sector leadership – driven by Mayor Marvin Rees and supported by the council and wider 'City Office' – is an excellent example of high ambition backed up with concrete, collective action to achieve inclusive growth.

Bradford offers another example where communities are being given agency to build a vision and shape their

1 Lawrence, G. (2007) *Sustainability in Seattle*, City, 1(3-4):111-121, DOI: 10.1080/1360481960871343

2 See the Metro Monitor 2017 Dashboard available at: <https://www.brookings.edu/interactives/metro-monitor-2017-dashboard/#V0G10420>

3 Inclusive Growth Commission (2017) *Inclusive Growth: Putting Principles into Practice*. The Royal Society of Arts. Available at: https://www.thersa.org/globalassets/pdfs/reports/rsa_inclusive-growth-principles-into-practice.pdf

place – forged by a binding sense of togetherness. The city has championed its cultural diversity through events such as their Hope Note Hate festival in June 2018, which brought together dancers from the Punjabi Roots group, the Latvian community and the Bradford Irish Players. The city has also sought to celebrate its diversity through its status as UNESCO’s first City of Film and now as part of the Creative Cities Network, working under the mission of cultural diversity.

Of course, communities themselves cannot be expected to provide a solution to everything, but this collective approach is an antidote to the sense that, if something is worth doing, the council should do it. Efforts such as the **Wigan Deal** change the conversation between city and citizens by reducing the distance between ‘us and them’ and instead saying, ‘let’s make this place better together’. Similarly, the Black South West Network in Bristol is focusing on new enterprises as a way of both tackling disadvantages, so that people feel empowered to do things, building the networks they need to create prosperity and at the same time feeding into a more inclusive business plan for the city.⁴

Implementing a shared vision then needs supporting institutions or frameworks that work across the administrative boundaries within a local place. Broad institutional legislation, like the Community Empowerment Act in Scotland or the Wellbeing of Future Generations Act in Wales, can provide a basis for the development of a shared

mission as outlined here, but governance and accountability structures need to foster informal and formal collaboration.

In recent years the map of local and sub-regional government has shifted, through the introduction and evolution of Local Enterprise Partnerships, voluntary local government restructuring or the creation of new Mayoral Combined Authorities, for example. New institutional arrangements can create significant upheaval and, without additional capacity to weather the transition, can make it difficult to create the conditions for effective, legitimate leadership and governance in the short term. However, and despite this, we have seen some new arrangements move quickly – such as the **North of Tyne Combined Authority** (NTCA). NTCA has itself evolved out of the old North East Combined Authority, collaborating between the constituent three north of Tyne local authorities and working strategically with the wider North East LEP on transport and other economic issues.

Finally, to ensure any vision translates into tangible action and outcomes, agreed definitions and metrics are needed to track progress and hold individuals and organisations to account. What, precisely, are we trying to achieve, and how will we know when we have been successful? In Scotland, in **North Ayrshire**, they have taken a data driven approach using economic and social indicators to pioneer their Inclusive Growth Diagnostic Tool, first developed at Harvard University and taken up into the Scottish National Performance Framework. The diagnostic

⁴ See <https://www.blacksouthwestnetwork.org/>

tool has allowed local leaders to identify where blockages lie in achieving inclusive growth and how they might better concentrate resources to tackle them. Money has shifted, for example, to greater investment in health visitors and digital skills as a result.

Box 1: Building a shared vision in the West Midlands Combined Authority

The West Midlands Combined Authority (WMCA) has committed to inclusive growth through the development of their Inclusive Growth Unit (IGU).⁵ The IGU is a partnership between the inclusive growth function of WMCA and a set of regional and national experts on applied inclusive growth, including CPP. Their aim is to build a shared, binding vision based on co-developed strategies for inclusive growth. The IGU provides resources, research, analysis, insight and seeks citizen engagement to support inclusive policy and investment decisions, as well as giving long term strategic support for the WMCA. Within the IGU, CPP was involved in facilitating the process for building a shared vision of inclusive growth and a plan to make their vision reality. WMCA draws on the expertise in the unit to identify their vision for inclusive growth, the areas where there is a need for action, measure progress and provide targeted action in order to embed inclusive growth within the region's long-term economic plan.

Potential pitfalls

Engagement needs to go beyond consulting on a vision for inclusive growth. There is a long history of consultation in UK local government, especially in planning with the urban studies movement of the 1970s and Planning Aid in the 1980s. There have also been attempts to open big conversations about aspects of public services or the future of places, including, for example, the consultation leading to Local Strategic Partnerships of the 2000s.

Engagement needs to go beyond consulting on a vision for inclusive growth

The drawback is that decades of 'statutory consultation' involving processes to rubber-stamp decisions already taken have often bred mistrust between government and the public. In some places there also remains a sense that local elections are enough to provide leaders with a legitimate and broad-based sense of purpose, as opposed to engaging more deeply with local people.

Shaping and implementing a vision also requires visionary leadership to help bring different – sometimes disparate – parts of the community or communities together, and to carry through the hard work of driving change. We know from central

5 West Midlands Combined Authority (2018) *Inclusive Growth Unit*. Available at: <https://www.wmca.org.uk/what-we-do/public-service-reform/inclusive-growth-unit/>

government that a policy announcement is not the same as policy delivery; it needs the backing of frontline professionals and the public to make it happen.

What we cannot reasonably expect is definitive consensus. It is the process that binds people: there will remain differences between personalities and interest groups, but the broad mission must be clear and motivating.

Wrap up

A key strength of inclusive growth is that it applies systems thinking to places. This integrates the full spectrum of economic and social policy, touching national frameworks, institutions and accountability mechanisms down to the most local. This must be based on extensive deliberation with business, large and small, civil society and community groups, place-based institutions, so that everyone has an opportunity to feel they have a voice, can shape their future, that of the local community and that they have a stake in the wider city or region. It is not enough for individual organisations to extol the importance of place. They must work with one other to ensure decision making within that place reinforces a shared vision of inclusive growth. A shared mission provides the foundations for dynamic change to take place.

Step 2: identify local barriers, levers and metrics

In the first step, we argued that a shared, binding vision is required to make inclusive growth the focal point of all local leadership and decision making. In this piece, we encourage stakeholders to work out what matters for inclusive growth in each area and to consider what is required to measure the outcomes.

The objective here is to work out what the barriers to inclusive growth are in each place and then develop a clear set of actions with defined outcomes against which to track progress. This will also facilitate open and informed dialogue with residents that might involve tough, political choices in how to achieve the shared mission of inclusive growth.

Identifying specific local barriers to inclusive growth

Joseph Rowntree Foundation's annual anti-poverty lecture in 2018 took on a different format to usual. Chief Executive, Campbell Robb, made a short, impassioned set of opening remarks before screening 'A Northern Soul'.⁶ Afterwards the Director, Sean McAllister, was joined on stage by the film's real-life protagonist, Steve, and several other talking heads, including CPP's Director, Charlotte Alldritt. Surely, Charlotte was asked from the audience, the film was a powerful way of showing there is

⁶ See JRF and Prospect's 5th Annual Poverty Lecture. Available at: <https://www.jrf.org.uk/event/jrf-and-prospects-5th-annual-poverty-lecture>

culture and creativity in the north whilst exposing levels of poverty and deprivation people living in our wealthy capital could not fathom. This would have come as news to the one million households living in London where the average household income after housing costs is as low as the poorest parts of the whole country.

The need for more inclusive growth is shared between economies – whether advanced, middle- or lower-income countries at a global level, or more locally, within and between cities and regions. Regional inequality in the UK is particularly acute compared to most OECD countries, but the complexity of our economic geography means that this is not an issue of ‘North vs South’ or ‘London vs the rest’.⁷ Each place has its own story to tell where the fabric of health, wealth, income and education inequality is different and so too will be the drivers for change.

Deep, data-driven analysis is needed to understand the barriers to inclusive growth in a place. Are education and skills levels low across the board, or certain communities excluded from opportunities available to others? How have local employers responded to and exacerbated the structural economic conditions of a place? Have we seen a growth in low-skilled, low-value added sectors? To what extent are growth sectors connected into deep, sustainable supply chains which also present a range of opportunities for people to learn new skills and access quality

jobs? What proportion of economically inactive people are long term sick, and how did this come about? Is quality and availability of housing a major problem, who is it affecting and how?

Deep, data-driven analysis is needed to understand the barriers to inclusive growth in a place

The Inclusive Growth Diagnostic Tool, developed in **North Ayrshire** and since being applied to other local places in Scotland, is an example of systematic analysis to inform the development of policy and investment decision making.⁸ Inclusive growth requires system-level analysis of the full breadth of social and economic factors, as well as – crucially – the interdependencies between them.

However, understanding the barriers and drivers of system change cannot rely on data analysis alone. What are people’s experiences of the local economy? What are the assets they bring to make a change? In shaping a vision and shared binding mission, places create space for ongoing dialogue – gathering qualitative data to augment and contextualise local or comparative statistics – and ensuring inclusive growth is both an outcome and a process for systemic, structural change.

⁷ See OECD (2018) *Compare your country: Income distribution and poverty*. Available at: <https://www1.compareyourcountry.org/inequality/en/0/all/default>

⁸ Scotland’s Centre for Inclusive Growth (2018) *North Ayrshire Inclusive Growth Diagnostic*. Available at <https://www.inclusivegrowth.scot/resources/data-and-analysis/2018/06/inclusive-growth-diagnostics/>

Ways of monitoring and measuring inclusive growth

The link between mission and measurement must be clear. In the **West Midlands**, Sandwell is using the Inclusive Growth Monitor developed by the Joseph Rowntree Foundation and the wider combined authority is grappling with how to incorporate inclusive growth metrics into its overall performance framework.

Bristol is exploring a dashboard approach, with indicators including reduced absenteeism from schools.

There has also been some important thinking about measurement via the Metro-Dynamics Inclusive Growth Assessment Framework, which provides a tool to assess the impact of potential investment.⁹ The framework is designed to work alongside the Treasury Green Book and encourages people responsible for generating inclusive growth to ask a series of questions about the impact of interventions on skills, jobs, housing, transport or business. Will the intervention, for example, result in additional, high quality jobs for those at the lower end of the income scale?

The link between mission and measurement must be clear

The recently published CPP Inclusive Growth Community Index provides a headline set of outcomes which capture much of what inclusive growth is aiming at. The index brings together data on healthy life expectancy, consumption, inequality, leisure time and unemployment at a local level for local areas to draw on when developing their own measures.

There are also other ways to capture the quality of growth being generated. Instead of a dashboard of metrics, or to supplement them, we might also specify proxy qualitative outcome measures that capture the complexity of the idea more simply: the police accountability metric (do you feel safe?) or the NHS Friends and Family Test (would you recommend this ward or hospital?) are good examples. The RSA Inclusive Growth Commission suggested the idea of a Community Confidence Index that sought to identify whether people felt a part, and had confidence in the future, of their place.¹⁰ Several local authorities are exploring whether existing data (collected through the Community Life Survey, for example) or public engagement (such as citizens' juries) might provide useful supporting evidence.

Evidence of which policies, institutions and interventions are working, with what impact, upon whom, provides a basis for transparent assessment of the nature and pace of change. This is important for engaging people in decision-making and

⁹ Metro Dynamics (2018) *Inclusive Growth Toolkit*. Available at: <http://www.metrodynamics.co.uk/blog/2018/1/17/metro-dynamics-launch-inclusive-growth-toolkit>

¹⁰ Inclusive Growth Commission (2017) *Inclusive Growth Commission: Making our Economy Work for Everyone*. The Royal Society of Arts. Available at: <https://www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/inclusive-growth-commission>

trade-offs, as well as investment appraisal and public sector accountability for inclusive growth outcomes. Companies will also need to be held to account for providing quality jobs, including training and progression opportunities, that they may have promised the politicians during a bidding process. A good jobs pledge, such as those launched at a national level in Scotland and in development in **Liverpool City Region, Greater Manchester** and **North of Tyne**, is one example of how to put this into practice, particularly when used to as a condition of investment or grant support. However, other ways (such as legal claw backs) still need to be explored so as to give ‘teeth’ to these as yet voluntary arrangements.

Finally, understanding local financial flows can help reveal how investment could be boosted in a local area, to the benefit of inclusive growth. **Birmingham** has been involved in an ambitious project with the Centre for Local Economic Strategies (CLES) to map where the money is going across the city region and what impact it is having.¹¹ Similar exercises include **Oldham** which mapped where the council spend its money and who they employed.

There are also examples of money purposefully being kept locally, such as the use of local currencies like the **Brixton** pound, or the UK’s biggest local currency, the **Bristol pound** (£B).¹² Moreover, several organisations, including Local Trust and the Democracy Collaborative, are putting forward the

idea of Community Wealth Funds, similarly designed to grow and retain capital in the local economy.

Until recently, mainstream economists found it hard to accept the reality of local, or even city regional economies. But both the Bank of England and the Office of National Statistics (ONS) are now gearing up to provide statistics on a much more local or regional basis.

Potential pitfalls

To understand what the specific issues are locally to address inclusive growth is not a straightforward task. Inclusive growth requires a deep understanding of the whole system, and the interactions between the individuals, households, the public sector, business, investors and civil society. The complexity of inclusive growth is such that it spans policy and institutional boundaries, demanding a level of integrated governance and thinking that pushes against the norms, structures and incentives of national and local government and the wider public sector. Funding and accountability structures must therefore cut across a range of organisations with different regulatory regimes and varying degrees of financial resource and financial control. This is where a shared mission for inclusive growth and agreed metrics can help to drive joint decision making and accountability; but it is not an easy task and – as **Greater Manchester** has experienced in its efforts to integrate health and social care, and in starting

¹¹ CLES (2016) *Bringing Community wealth to Birmingham*. Available at: <https://cles.org.uk/news/bringing-community-wealth-to-birmingham/>

¹² See Bristol Pound <https://bristolpound.org/>

to extend this to other public services, achieving it requires ingenuity and persistence.

Other potential pitfalls include not getting the balance right between under and over measurement. Should places measure everything, in which case they are in danger of surrendering inclusive growth to the technocrats, and undermining commitment to a shared mission for inclusive growth that resonates with local people? Or do places focus their efforts on a handful of measures which could skew attention and efforts or hide a multitude of disappointments?

Wrap up

It is clear, that no amount of measurement of outcomes will take away responsibility from local politicians to take what are likely to be tough decisions about economic and inclusive priorities. But it will help them to take the decisions if the consequences and reasons for those decisions are as transparent as possible. The purpose and justification of measurement is to make things happen. It is barely worth doing for its own sake.

Box 2: CPP Inclusive Growth Community Index

Through CPP's work with places across the country, it is clear that local economic objectives are shifting towards a broader definition of prosperity that can help to deliver inclusive growth. New objectives must be complemented by new metrics capable of tracking progress on this agenda and pointing to areas of intervention. CPP's Inclusive Growth Community Index provides places with a new measure of inclusive growth, drawing on data on five key inclusive growth outcomes. The index combines data on healthy life expectancy, consumption, leisure, inequality and unemployment to produce one single inclusive growth score at local and combined authority level. This measure is a step forward in enabling places to identify what they need to do in order to drive inclusive growth and is a useful tool for comparison between areas. This index provides an overview of people's ability to contribute to and benefit from economic growth from place to place across the UK.

Step 3: leverage, target and align resources

The objective here is for places to innovate to get the resources they need to pursue innovative inclusive growth, particularly given the ongoing local government funding climate. Whilst the UK government's austerity position has softened places will still need to find other ways to invest in social and physical infrastructure. Local government revenue support grant continues to be phased out and questions remain as to the future of business rate retention. How then can places support investment in integrated, high quality social and economic infrastructure, and - by doing so - create sustainable, inclusive growth?

Local authorities have been left to innovate in this area and there are ideas already emerging

Local authorities have been left to innovate in this area and there are ideas already emerging, building on what was learned from the Total Place pioneers and – in the most forward instances – harnessing financial and non-financial

resources from across the public, private and philanthropic sectors.¹³ These whole-place approaches can finance investment across social and economic policy areas, programmes and projects all then aligned to support inclusive growth, as defined locally. Probably the most developed of these so far is the Bristol City Funds, linked to the City Office initiative, but others (including the North of Tyne Combined Authority, NTCA) are fast following suit.¹⁴

Innovative and practical examples of local areas raising finance

The Public Works Loan Board in the UK is the primary source of local authority borrowing. But extra resources are beginning to come from a range of other sources, including:¹⁵

- **Philanthropy.** Plymouth has attracted a grant of £1m from the Esmée Fairbairn Foundation to support their inclusive growth agenda by supporting cross-sector collaboration with Plymouth's third sector.¹⁶ Their aim is to create social capital and positive social change, including by connecting to Plymouth as a Social Enterprise City, supported by the Big Lottery Fund. The Barrow Cadbury Trust is supporting a programme of citizen engagement to help form the basis of the West Midlands Inclusive Growth Unit and

13 HM Treasury (2010) *Total place: a whole area approach to public services*. Available at: https://webarchive.nationalarchives.gov.uk/20130125093102/http://www.hm-treasury.gov.uk/d/total_place_report.pdf

14 Clayton, N., Jeffrey, S. and Breach, A. (2017) *Funding and financing growth in cities*. Centre for Cities. Available at: <https://www.centreforcities.org/reader/funding-financing-inclusive-growth-cities/reviewing-funding-finance-options-available-city-combined-authorities/7-bristols-city-funds/>

15 United Kingdom Debt Management Office (2018) *Public Works Loan Board*. Available at: <https://www.dmo.gov.uk/responsibilities/local-authority-lending-pwlb/about-pwlb/>

16 See Plymouth Octopus Project at <https://www.plymouthoctopus.org/>

to develop a platform for inclusive decision making across the combined authority.¹⁷

- **Municipal bonds.** These bonds can facilitate local government borrowing from private capital markets, such as Birmingham's Brummie Bond, which funnels £45m into low-cost housing development, or Warrington's £150m bond issue.¹⁸
- **Levies on traffic or workplace parking.** Congestion charges have been controversial, but there are other ways to encourage the use of public transport whilst raising funds locally. For example, Nottingham now raises £9m a year from their workplace parking levy.¹⁹
- **Social Impact Bonds (SIBs).** SIBs can leverage in private investment on the basis of only paying for an agreed set of outcomes. Bridge Ventures is a leading SIB investor which has invested in youth employment schemes, as well as health and wellbeing.²⁰ The risk with this method is ensuring sustained investment over time in difficult areas, so ultimately it may need to be supplemented by government grant funding.
- **Community Infrastructure Levy (CIL).** Whilst not a new area of funding, or one without issues, CIL is designed to create a clearer link between the benefits to the private sector of developments and their costs to government. It allows local authorities to charge developers for the cost of paying for the roads or services to support new developments, but these amounts (as with Section 106 agreements that preceded them) are often heavily negotiated (downwards).
- **Pension funds.** Greater Manchester Pension Fund is the largest local government pension scheme in the UK, with £17.3bn in assets under management. Local investment is limited to five per cent of main fund value and currently stands at less than half that, so there is potential for its scope to expand. Elsewhere, nationwide pension funds such as Legal & General (L&G) have used their investment arm to invest deeply in places, such as the Newcastle and L&G partnership, with a view to crowding in new sources of investments from other long term investment partners.
- **Crowdfunding.** Charitably-led schemes can facilitate investment – often in small amounts by members of the local community – in return for a share or service entitlement. Hastings Pier was bought in a similar way by a mutual group of local investors via a co-operative share issue. This can be a community led effort, but good accountability mechanisms must

17 West Midlands Combined Authority (2018) Inclusive Growth Unit. Available at: <https://www.wmca.org.uk/what-we-do/public-service-reform/inclusive-growth-unit/>

18 Bailey, D. (2017) Birmingham City Council has issued 'Brummie Bond' to build homes. Business Live. Available at: <https://www.business-live.co.uk/business/business-opinion/birmingham-city-council-issued-brummie-12947488>

19 Breach, A. (2018) *Why a Workplace Parking Levy could help solve cities' transport and congestion problems.* Centre for Cities. Available at: <https://www.centreforcities.org/blog/workplace-parking-levy-answer-cities-transport-congestion-problems/>

20 Bridge Ventures (2016) *The evolution of social impact bonds in the UK.* Available at: http://dev.bridgesfundmanagement.com/wp-content/uploads/2017/02/SIBs_Better-Outcomes-Better-Value-print-view.pdf

be in place given it puts individuals' money at risk.

- **Locally owned utility companies.**

Swedish cities have had responsibility for energy for three decades, and it has encouraged innovation and provided them with green electricity and a sustainable income. Bristol Energy or Robin Hood Energy in Nottingham are both in their early stages, but both have begun to create jobs, reduce emissions and tackle local fuel poverty.²¹ Other places are considering creating their own utility companies or have helped to set up local businesses backed by local government to compete with national shared services providers (and prevent local job losses).

Bristol's City Funds initiative brings a selection of these ideas together.²² Managed by Bristol and Bath Regional Capital, it is one of a new generation of local financial intermediaries leveraging public, private and philanthropic sources of finance, alongside potential opportunities for crowdfunded donations, providing grant and loan-based resources for specific objectives, linked to the City's One City Plan with sustainable, inclusive growth at its heart.²³

Internationally there are further examples of ways to increase local government revenues, including the opportunity zone tax incentive as seen in the US. These allow investors to defer paying tax on capital gains from the sale of

property if those gains are invested in Qualified Opportunity Funds.²⁴ 90 per cent of their assets must be invested in businesses or property used in a low-income community. Despite being well-intentioned, the approach has not been without controversy. There can be tension between maximising investment through tax breaks and the goal of maximising tax revenues, as well as questions over the likely beneficiaries of tax breaks (i.e. potential for companies to be largest beneficiaries) and the distribution of risk where community development financial institutions (CDFI's) are involved.

The role of local government remains key in innovative, place-based investment

The role of local government remains key in innovative, place-based investment: aligning investment with its inclusive growth mission, setting the parameters for 'the deal' (e.g. eligibility criteria or other types of conditionality) and/or leveraging government funding (e.g. linked to devolved investment pots). The examples of alternative financing options above illustrate how different levels of government are identifying pragmatic ways of using existing powers and flexibilities to encourage such

21 See Robin Hood Energy at <https://robinhoodenergy.co.uk/about/>

22 See City Funds at <http://www.bristolcityfunds.co.uk/>

23 See Bristol & Bath Regional Capital at <https://www.bab-rc.uk/>

24 Katz, B. and Nowak, J. (2018) *Guiding Principles for Opportunity Zones*. Available at: <https://www.thenewlocalism.com/research/guiding-principles-for-opportunity-zones/>

innovations. The newly constituted NTCA has been developing an investment assurance framework that reflects its ambitions for creating an inclusive economy across the constituent three local authorities – encompassing both an urban and rural settings in Newcastle, North Tyneside and Northumberland councils.

The ‘asymmetric geography’ of power distributed at different levels in the UK is symptomatic of our evolving constitutional landscape, within the devolved administrations and amongst England’s still nascent sub-regions. The UK’s comparative levels of centralisation mean that local or regional governments in other countries are often more familiar with devolved financial or fiscal powers. For example, in Germany cities have the power to buy land at existing use value.²⁵ They can also raise the finance they need through long-term low interest loans from regional savings banks (Sparkassen). Money that in the UK would have gone from the end occupier, through a developer, to the landowner, is in effect diverted by local government in Germany to pay for good quality infrastructure, squeezing out the unearned profit to the landowners.

This may be a glimpse of a new future for the UK too; recent research by the Centre for Progressive Policy has shown the extent to which enabling government to share in profit from land could help fund further affordable housing

infrastructure.²⁶ The Communities and Local Government Select Committee recently endorsed our recommendations, and other think tanks – including Shelter, Civitas and the National Housing Federation – support the approach as an innovative funding solution to this intractable British problem.

CPP research has shown that enabling government to share in profit from land could help fund further affordable housing infrastructure

Wrap up

Taken together, this list of additional ways of raising or earning revenue for local areas presents a piecemeal approach rather than a systematic one to solving the local funding problem. But these new approaches are becoming increasingly common in the face of continued pressure on local government finance. The key to success will be that resources are aligned with the shared objectives of individuals, public and private sector institutions and are set by an inclusive process in which residents, businesses (large and small), universities and colleges, health and social care institutions, football clubs,

25 Falk, N. (2018) *Smarter urbanisation and valuing local capital*. Available at: <https://www.academyofurbanism.org.uk/smarter-urbanisation-and-valuing-local-capital-nicholas-falk-aou/>

26 Aubrey, T. (2018) *Gathering the Windfall*, Centre for Progressive Policy, Available at: <https://www.progressive-policy.net/publications/gathering-the-windfall-how-changing-land-law-can-unlock-englands-housing-supply-potential>

arts and culture organisations and the full range of whole-place partners are involved in constructing a binding vision for the place. Then – as some of the most persistent and ambitious places are already starting to find – investors, developers and financiers committed to the long-term interests of the place will step up, lead and contribute to sustainable, inclusive growth. Those not on board with the shared mission might start to drift away, but in doing so, they will create less of the kind of economic activity that has such unequal effects on households, workers and whole communities. It is time to change the conversation and for finance and investment to be a part of the solution for inclusive growth.

Box 3: Investing in key areas

Bristol City Funds is an innovative way to leverage a wide range of resources to help achieve inclusive growth. City Funds is managed independently from the City Council, with the mayor being responsible for championing the cause without direct involvement in decision-making.²⁷ The idea brings together key stakeholders across Bristol to pool resources and address key areas of improvement. The fund is a great example of how a place can use its political levers and align its resources to a purpose. The fund prioritises investment in areas such as housing and employment, as part of a wider business plan aimed at delivering inclusive growth. In addition, funding is being made available for local initiatives that respond to local problems such as food poverty and, helping Bristol's transition to a carbon-neutral and zero-waste city. These issues have been decided upon through consultations with stakeholders and public engagement and are the result of cooperation between communities, businesses sector representatives and public sector officials who bought into a shared vision of what inclusive growth means and how it can be achieved.²⁸

27 City Funds (2019) *Our focus*. Available at: <http://www.bristolcityfunds.co.uk/what-we-do>

28 Clayton, N., Jeffery, S. and Breach, A. (2017) *Funding and financing inclusive growth in cities*. Centre for Cities. Available at: <https://www.centreforcities.org/reader/funding-financing-inclusive-growth-cities/reviewing-funding-finance-options-available-city-combined-authorities/7-brisols-city-funds/>

Step 4: make institutions effective across organisational boundaries

We now turn to collaboration across institutional boundaries. The objective here is to build local governance arrangements that reinforce inclusive growth within and across institutional boundaries. This will underpin shared accountability, integrated policy and public service design and collaborative behaviours, whilst enabling the alignment of resources to achieve a place-based vision of inclusive growth.

Developing existing institutional structures and deciding when to start new ones

Some of the most effective levers available to local places will involve organisations, sectors and partners outside the day-to-day control of local authorities. An example of reaching for those levers is the City Office in Bristol. It is designed to mobilise effort across the city, using the influence and heft of the mayor, to make things happen around very specific problems. City challenges are not solved by councils alone: they require the mobilisation of all the capabilities and resources across a place, which is how Mayor Marvin Rees began – involving local churches in tackling homelessness over Christmas.²⁹ The idea emerged from the one-city planning style

of the American mayors, and from his own previous experience with the Local Strategic Partnership – an early attempt to collaborate across organisational boundaries.

Some of the most effective levers available will involve organisations, sectors and partners outside the day-to-day control of local authorities

The Bristol City Office provides a cross-sector model for inclusive, place-based governance. With inclusive growth ‘action plans’, the mayor’s approach has created a platform for the City Office to be an effective driver of long-term change that is:

- Driven by the leadership and collaboration of external city partners, including business leaders and social innovators, who are committed to the future of Bristol as an inclusive, sustainable economy – as set out in their One City Plan.
- Supported by the city council’s directors, who are expected to help the City Office projects thrive but to defer to the partnership boards responsible for strategic development and co-delivery.

²⁹ Wilson, K. (2019) Bristol City Council sets out plan on how to tackle homelessness and rough sleeping. Bristol Live. Available at: <https://www.bristolpost.co.uk/news/bristol-news/bristol-city-council-sets-out-2750410>

- Inclusive in its engagement with community groups, civil society organisations, businesses and other major employers – to ensure diverse leadership.
- Accountable, through the mayor, to the people of Bristol.
- Connected to innovative means of financing projects and initiatives, such as the City Funds (see Step 3).
- Bolstered by high quality research and analysis, in partnership with think tanks and local universities.
- Underpinned by city council administrative support to maintain momentum.

Other examples of different institutional approaches include:

- The **Barking and Dagenham** approach, which forges the local authority as an instrument of inclusive growth (including a Director for Inclusive Growth).
- The Inclusive Growth Unit in the **West Midlands Combined Authority**, comprised of a diverse range of local and national partners advising the mayor and the combined authority.
- The National Growth Innovation Network, based out of Chicago, which brings together practitioners to innovate and nurture new approaches to inclusive growth in cities and city-regions across the **United States**.³⁰

The political landscape, as well as the size of each area and the extent to which different local decision-making bodies overlap, will determine which institutional frameworks work best. Which organisations or leaders – whether in the public, private or social sectors – need to be involved? Of these, which is best placed to build legitimacy around the inclusive growth agenda? Who else needs to come together to overcome barriers to whole-system, whole-place collaboration? Can existing institutions enable this, or are new structures and processes needed to effect real change?

It may be possible to use existing structures to deliver inclusive growth. The Mayor of **London's** Good Work Standard has an impact on both employees and the Greater London Authority as an employer of almost 80,000 people (1.4 % of London's workforce) across City Hall, the capital's transport network, police and fire services.³¹ As a result, the mayor can improve many Londoners' experiences of work via the Responsible Procurement Policy and the London Living Wage. Similarly, **West Yorkshire's** 'No Silver Bullet' report and Lower Paid Workers' Group led its local authorities to pay a living wage to all staff, and to give out a non-pay benefits package worth around £1,000 a year to the lowest paid – a process which has also provided them with a channel of communication with their staff, including contractor staff who can be harder to reach.³²

30 For more information see <https://newgrowth.org/>

31 Greater London Authority (2017) *A Call for Evidence on the Mayor's Good Work Standards*. Available at: https://www.london.gov.uk/sites/default/files/call_for_evidence_on_the_mayors_good_work_standard_11_08_17.pdf

32 For more information see West Yorkshire Combined Authority – Living Wage Charter for West Yorkshire

Box 4: Bridging the gaps in D2N2

Key to inclusive growth is the ability of institutions to cooperate effectively towards a shared goal. Our work with Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) Local Enterprise Partnership (LEP) is centred on helping better align the supply and demand for skills in the region. Conducting a skills mismatch analysis, working with the LEP and local schools and colleges, CPP identified skills shortages that prevent the area from reaching its full potential. Our work with D2N2 showed that educational institutions and businesses need to work together more closely to better address the skills shortages local areas have and highlights the importance of effective careers advice and guidance. CPP recently conducted focus groups with schools to further understand how pupils could best use local labour market information (LMI) to inform their educational and career choices. This made clear that LMI can be a great help to decision-making, but only if it is disseminated consistently and with clarity by trained professionals with the time and resources to fully engage with their pupils.

Potential pitfalls

Inclusive growth and its integration of economic and social policy is systems thinking in action. This is complex and can be messy. For collaborative, place-based approaches to be successful, national targets and regulatory incentives might have to be aligned with local

objectives. Greater Manchester's experience of joint commissioning of health and social care speaks to the increasing need for more sophisticated engagement between local, sub-regional and national government. As the devolution agenda evolves, with places taking on different levels of responsibility for different services and policy areas, a more flexible (albeit potentially more complex) regulatory environment will be needed – both horizontally (enabling integration and collaboration between institutions locally) and vertically (between tiers of government).

Currently, many mayors and other senior leaders use the language of inclusive growth without having developed the kind of arrangements within and between local authorities that are necessary to reinforce it. Several combined authorities are working through how inclusive growth can be an objective against which all strategic economic and social policy decisions are assessed at board level. However, coordinating across the breadth of local and sub-regional committees, budgets and governance arrangements is no mean feat – particularly in the face of traditional institutional demarcations. Managing complexity and deploying place-based systems thinking requires a clear commitment to a shared vision of inclusive growth.

Wrap up

In practice, institutional set up and solutions will have to reflect local situations. Whichever new structures or

configurations are planned, they must be able to provide the visionary political leadership required to set the mission of inclusive growth, whilst reaching within and beyond existing institutional structures.

Inclusive growth and its integration of economic and social policy is systems thinking in action

Step 5: encourage business to play their role in delivering inclusive growth

The objective here is to ensure employers play their part in delivering inclusive growth, by creating quality jobs, engaging and investing in local skills and working in the best, long term interests of their place. For business, this might include establishing opportunities for young people to access quality work experience, or better sharing of gains with local employees. For local government, support might range from encouraging certain business sizes or types to start up, to ensuring they are held to account for their business conduct through good work pledges. Here we discuss some examples.

Ensure training and skills are responsive to local business requirements

Many local areas are currently suffering from underemployment, meaning individuals are not fulfilling their earnings potential in their current roles. This can be due to businesses not using the talents of their workforce effectively (a problem identified by the Productivity Leadership Group) but also due to skills mismatch between the jobs on offer in a local area and the skills of those coming out of local educational institutions.³³

33 Productivity Leadership Group (2017) *How good is your business really?* Available at: <https://www.bethebusiness.com/wp-content/uploads/2018/04/how-good-is-your-business-really.pdf>

CPP's first skills report in March 2018 made recommendations on how areas can determine their skills mismatch and how learners can be provided with better information about the jobs available in their areas and the associated earnings potential.³⁴ It requires education and training institutions to be responsive to the needs of local employers but also employers to provide forecasts of their skills needs. In order to facilitate this information exchange between skills providers and employers, the Department for Education is in the process of setting up Skills Advisory Panels at Local Enterprise Partnership level, which could, if linked to Local Industrial Strategies, play a critical role in realigning skills and jobs opportunities in areas. CPP has developed a skills mismatch tool which can be used exactly for this purpose.

CPP's first skills report in March 2018 made recommendations on how areas can determine their skills mismatch

Encourage small-scale, locally-owned enterprise

Enterprise can be a central pillar of inclusive growth. In the UK, SMEs employ more people overall than larger businesses and can often be the engine of growth. Research in the Harvard Business Review (2010) found that “regional economic growth is highly correlated with the presence of many small, entrepreneurial employers—not a few big ones”.³⁵ There was more support for this position from Economic Development Quarterly, which concluded that it is particularly ‘locally owned firms’ which drive per capita income growth.³⁶ The implication of this research is that small companies are important in local economies for both creating and retaining wealth.

One way to encourage local, small start-ups, may be to foster the development of local lending infrastructure to complement national and global lending. Regional banks generally serve a specific geography with a focus on retail banking so are by design focused on the potential of local businesses and typically use trust and soft knowledge to allocate credit in a way that an algorithm applied at a global level may not. The network of regional banking mutuals, under construction by the Community Savings Bank Association (CSBA), with investment from a range of local authorities and the GLA, looks promising. Tracking the

34 Alldritt, C. and Norman, A. (2018) *The Data Deficit*. Centre for Progressive Policy. Available at: <https://www.progressive-policy.net/publications/the-data-deficit-why-a-lack-of-information-undermines-the-uk-skills-system>

35 Glaeser, E.L. and Kerr, W. (2010) *The Secret to Job Growth: Think Small*. Harvard Business Review. Available at: <https://hbr.org/2010/07/the-secret-to-job-growth-think-small>

36 Fleming, D. A., and Goetz, S. J. (2011). *Does Local Firm Ownership Matter?* Economic Development Quarterly, 25(3):277–281. Available at: <https://journals.sagepub.com/doi/abs/10.1177/0891242411407312#articleCitationDownloadContainer>

credit availability for SMEs over time will be key in determining the demand for localised banking.

Holding business to account

Local authorities are increasingly taking the path of Birmingham, with their Business Charter for Social Responsibility. Launched in 2014, it is a set of guiding principles, including paying the real Living Wage and employing locally, which the council commits itself to and asks its supply chain and other businesses to follow suit.³⁷ Greater Manchester have recently consulted on a Good Employer Charter with similar principles in mind. Charters can include commitments on the real Living Wage, in-work training and progression, stable contracts, or other metrics on social value.

The Social Value Act (2012) certainly facilitated this approach. As has the Preston model which, amongst a range of different structural economic approaches, uses procurement to ensure local businesses benefit from and can participate in local wealth building.

The question of how effective good job charters are will rely principally on who holds the employers to account and how. This can be done by asking business to self-report on a list of agreed criteria, or by bringing in third sector organisations with an interest to independently hold employers to account. How businesses are held to account will in part be

dictated by what data is publicly available on business. Alternatively, charters can also be used to shape local procurement decisions, which would require business to report on the specified measures as part of a bidding process.

In 2016, the ONS published a one off data release on the percentage of good jobs by local authority and we call for its annual publication so that local areas can assess overall progress of their charters over time.³⁸

Box 5: CPP Company Index

Delivering inclusive growth is not only about the cooperation between local and central government, but also about the involvement of business. Encouraging business to think about accountability and transparency is key to inclusive economic growth. The CPP Company Index will provide an assessment of good business practices and their current levels of transparency. The index will look at the biggest employers within the UK and analyse how they perform on a series of indicators of good business practices. CPP's work in this area completes an investigation into all three levels of inclusive growth at country, community and company level in partnership with the APPG on Inclusive Growth.

37 For more information on this see Birmingham Business Charter for Social Responsibility available at:

https://www.birmingham.gov.uk/info/50209/birmingham_business_charter_for_social_responsibility

38 ONS (2017) Dataset available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/007601estimatedproportionofeconomicallyactiveadultsinagoodjobcustomerdefinedandestimatedproportionoflifelonglearnersukthreeyearsendingdecember2016>

Potential pitfalls

Whilst SMEs are usually collectively the largest employer in a region, sometimes they need help to get the basics right to thrive – so support may take the form of book keeping, line management and business development – as well as ensuring they can get the levels of funding they need.

Increasingly, good business charters are becoming used as a way local areas can keep check of business behaviour and champion those who commit. To ensure the reporting burden is not too much for the businesses or local areas, the ONS should consider facilitating inclusive growth at a local level by publishing regular good jobs data to underpin their local commitments.

Wrap up

Whilst there are a range of ways local areas can support new, small, innovative businesses to start, existing business can demonstrate their commitment to the agenda by working closely with educational institutions to better match education and job opportunities and opting into, and committing to, local initiatives and good work charters.

Step 6: moving to integrated service delivery and preventive spending

We started with the importance of having a shared vision and worked through to understanding barriers and metrics, innovative financing options and then working across institutions and with businesses. We now turn to the role of public services in achieving one of the key pillars of inclusive growth, integrating and investing in social and economic infrastructure. The ultimate objective here is to integrate social and economic services locally, and in doing so, move from reactive to preventative investment which helps to tackle problems at their root, fostering inclusive growth.

Co-location and beyond

The co-location of services can reduce costs through improved effectiveness, with healthcare an excellent example. Greater Manchester, along with a devolved health budget, has re-organised the way they deliver primary care to integrate different types of health care services. An example of their re-organisation of delivery is the co-location of mental health specialists with musculo-skeletal specialists, given many of those out of work suffer from a combination of issues around both. Similarly, for chronic disease management, it has been shown that co-location of practitioners can improve access to services and equipment.

New ways of organising services and the people they serve across boundaries can facilitate working together, beyond the co-location of health services. Addressing place-based social determinants of poor health, underpinned by the development of complementary governance arrangements, financial and accountability mechanisms, is critical in improving the health of the population and has been the focus of CPP's year-long healthcare inquiry.

To stimulate cross departmental considerations, our most recent health report suggested using health outcomes as a measure of success of all policies. This approach is supported by Andy Burnham, Mayor of Greater Manchester, as he set out in our recent healthcare report:

“People forget that Bevan was minister of state for housing and health. CPP’s analysis has shown that housing is one of the most important factors in variation in life expectancy. We need to consider radical new ways to narrow this inequality - maybe, even, the right to housing becoming a universal entitlement.”⁴²

Greater Manchester has been integrating all health and social care services around

geographical hubs that each cover up to 50,000 people.

Link up with a wider set of complementary services

Thinking beyond healthcare, **Barking and Dagenham’s** ‘Community Solutions’ approach, has reconsidered how the social systems can interact and deliver.³⁹ The Community Solutions method brings together local authority teams that used to be responsible for worklessness, skills, poverty, debt, mental health, homelessness, domestic violence, antisocial behaviour and family support, all of which used to be tackled separately and at greater cost. Jobs roles have been reconfigured entirely to be organised by level of intervention, as opposed to area of specialism.

Community Solutions is based on re-orientating services around the real causes of poverty, rather than the ones which justify existing structures. Community Solutions Account Managers bring together the services on offer across the range of challenges an individual may face to make sense of the overall range of solutions needed. It is systems thinking in practice. By 2020/21 Barking and Dagenham are looking to have fully transformed their service delivery model.⁴⁰

Preventative infrastructure and spend

39 Centre for Progressive Policy (2019) *Beyond the NHS: Addressing the root causes of poor health*. Available at: <https://www.progressive-policy.net/publications/beyond-the-nhs-addressing-the-root-causes-of-poor-health>

40 Ibid.

Integrating institutional structures and public service delivery provides the basis for a system that focuses on prevention and preventative spend, as the impacts of one service on another becomes clearer. When this happens, the interdependency between social and economic policy is demonstrated.

As **Greater Manchester** continues the integration of health and social care, they are shifting their focus to preventative spend to both deliver better services and make required savings. This is facilitated by the integration of commissioning, a shift to a single budget and place based commissioning and collocated professionals in each neighbourhood.

Prevention can sometimes mean not even using government provided infrastructure at all. The Australian social care pioneer methodology, known as Local Area Co-ordination (LAC) where “Coordinators try to support local or non-service solutions and focus on what the person can do for themselves using their skills and experience; as well as the help that friends, family and the local community can provide”, has been adapted in **Derby** and **Middlesbrough** amongst other places in the UK. An evaluation in 2015 of Derby’s use of LAC found that “for every £1 invested in the service, £4 of social value is created”, with qualitative assessment citing improved well-being through reduced isolation and improved sense of empowerment.⁴¹

Box 6: Reshaping health and social care

The final report in CPP’s year-long inquiry into health and social-care, *Beyond NHS: Addressing the root cause of poor health*, showed that there is a strong link between education, housing, crime, unemployment and income with health outcomes. Inequalities in these social determinants of health are responsible for 80 million life years lost in England per year. CPP has recommended a transition to a social model of health, centred on integrated service delivery and preventive spending to produce better health outcomes. CPP’s recommendations include strengthening the role of the Public Health Directors at a local level, increasing their budgets and allowing them to use these to tackle social determinants of health. Another way to strengthen the cooperation between social services providers is the co-location of services, such as in Greater Manchester, which is key to ensuring that we create a system that is both accessible and responsive to the needs of the local community.

Potential pitfalls

Headline targets for public service delivery set by the central government need reassessment if central is going to support local government in joining up public services. It may be that setting up testing areas to allow innovators to experiment should be encouraged on a more systematic basis.

⁴¹ Think Local Act (2015) *Social Return on Investment Analysis for Derby’s LAC*. Available at: https://www.thinklocalactpersonal.org.uk/assets/BCC/Social_Value_of_Local_Area_Coordination_Executive_Summary_March_2016.pdf

Similarly, to move across to preventative spend will require some double running, where money is being spent on both prevention and cure, before prevention reduces demand on the system. This will require acknowledgement from central government that short term investment in the transition to prevention can reduce demand in the longer term. The difficulty of the ‘Troubled Families’ programme launched in 2011 to, so far, demonstrate any financial savings speaks exactly to this problem, although this must not be confused with the need to integrate services from the perspective of a service user.⁴²

In a time of an increasingly tight spending framework on local government, it is not reasonable to expect local areas to sacrifice delivering services today for savings tomorrow. To move towards greater prevention, local areas should come forward with proposals to be used as additionally funded test cases, with expected future benefits quantified as far as possible. Social investors could be the vehicle. Equally, departments at local or national level, who recognise the positive spillover of their spend onto other departments should be measuring their impact and making a cross-department proposal – perhaps there is a deal to be done.

Wrap up

Fragmentation of services can be detrimental to outcomes, as can be seen in the findings of our report, *Beyond sticking plasters*.⁴³ Taking a whole systems approach and introducing preventative spend requires a significant shift in the approach to public service infrastructure and delivery, as well as looking at drivers outside of the usual remits.

We must remember that social and economic policy are the flip sides of the same coin. Collaborative and joined up public services are a key driver of quality and inclusive growth and they need to be delivered through a whole systems approach. This is not easy, it will take understanding of increased short-term costs, but ultimately, we know that prevention may be the only cure.

We at CPP look forward to further work with our partner places and many more across the UK and beyond in delivering inclusive growth – identifying the root causes, setting the vision, finding the funding, setting up the institutions and measuring the outcomes on the ground. This is our core mission and primary goal, to win the ultimate prize of helping to tackle inequality by design.

42 House of Commons (2019) *Parliament Briefing on the Troubled Families Programme*. Available at: <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7585>

43 Centre for Progressive Policy (2018) *Beyond sticking plasters*. Available at: <https://www.progressive-policy.net/publications/beyond-sticking-plasters>

About the Centre for Progressive Policy

The Centre for Progressive Policy is a think tank committed to making inclusive economic growth a reality. By working with national and local partners, our aim is to devise effective, pragmatic policy solutions to drive productivity and shared prosperity in the UK.

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