



INCLUSIVE GROWTH  
COMMISSION

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21st century enlightenment

# Inclusive Growth Commission

Labour and Conservative Party Conferences  
26 September and 3 October 2016

The RSA Inclusive Growth Commission (IGC) hosted two roundtable events at both the Labour and Conservative party conferences in Liverpool and Birmingham. Each roundtable brought together around 25 experts, senior MPs, commission members, city leaders, business representatives and policy makers.

The events were held under chatham house rule and therefore the speakers names have been anonymised.

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## Labour Party conference, 26 September, Liverpool

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### Putting people at the heart of place

One speaker reminded us that resilient local economies depend on creating strong communities through inclusive growth and industrial strategies. Similarly, another called upon their city to develop a strong economy as a compassionate city.

One speaker wondered about devolution and the social contract between individuals and the state – central and local. *“Who are place-based deals for? Are they just for communities? What about individuals and households?”*

In thinking about what inclusive growth meant for their place, one city leader said that in his city children start school a year behind the national average. They need investment in -1 to 5 years (i.e. perinatal care). Their ambition for their city was for the *“household income of people who live in my city to be as much as people who work in my city”*, closing a gap of just 50p per hour – a realistic, but aspirational goal to close the divide between people who commute in from the rural hinterlands.

Another leader questioned the degree to which places have sufficient resources to achieve inclusive devolution. They also pointed out the importance of reengaging people in democracy and local decision making, a question Stephanie Flanders said is one of the most difficult the Inclusive Growth Commission is grappling with.

### Declining living standards represent a serious political and policy challenge

One participant emphasised the importance of living standards, its link to rising housing costs in cities across the UK, not just London, and the correlation between a decline in living standards and Brexit voting patterns.

One speaker commented on the Treasury commissioned study on living standards in 2009, which had plateaued since 2004. The policy levers then open to the government were deemed to include:

1. Increase transfer payment (not possible due to public finance constraints)
2. Encouraging people to increase hours worked (not possible, on the whole, either due to households working at a maximum or employers post-financial crash not offering additional work), or
3. Supporting incomes through the National Minimum Wage (latterly National Living Wage) and helping to drive up productivity as a means of boosting real wages.

In addition to these levers, there are also four government policy areas that could support inclusive growth: increasing investment in science and R&D; encouraging more innovative, socially-oriented forms of capital investment (UK companies have £522bn sitting in cash); investing in early years, Special Education Needs, technical education and skills (e.g. through vertical trusts between academies, colleges and universities so to enable progression); and, public service reform through decentralisation and Total Place-style arrangements (e.g. devolving control of the Apprenticeship Levy to increase uptake by SMEs).

One city leader highlighted that their city was the youngest in the country [with 25 percent under 16 years] but had been bottom of the education league table for the last 25 years; 100,000 children are currently being failed in the city's school system. *“If we don't get education right in Bradford, it'll lead us further into poverty.”*

Centralisation of education has been a major barrier to improving living standards, although the city is trying to bring the Regional Schools Commissioner (a role few local people are aware of) into policy/strategy meetings about the future of Bradford. However, the Commissioner's area runs from West Yorkshire to Blackpool, Lancashire. Susan suggested Regional Schools Commissioners' geographical remit be tighter, aligned with the combined authority boundaries.

 **Resilient local economies depend on creating strong communities through inclusive growth and industrial strategies**

### Public service reform at a crossroads in terms of demand on diminishing resource

One participant shared the lesson from Care in the Community programme, which was designed to shift health and social care spending out of acute services. The savings anticipated were not realised because they needed to run two concurrent systems and policy makers underestimated how long it takes to tackle what are long term problems. *“It will be messy. You might get some quick wins, but some quick failures too.”*

Until local and central government gets its information and intelligences systems and feedback loops right, policy design and delivery will fail to evolve. They also said that we need also to think about gathering evidence in ways that go beyond evaluation by autopsy, but to therapeutic

analysis of what works and how interventions can be improved.

## “ Labour control administrative areas accounting for over 50 percent of GDP if we look at a local

### What this all means for the Commission's next steps

Underlying the politics of devolution and inclusive growth is an urban/rural split that has played out, broadly speaking, for decades. Stephanie Flanders, chair of the Commission, noted that Labour control administrative areas accounting for over 50 percent of GDP if we look at a local level (the 10 Core Cities account for 25 percent GDP and London 26 percent). She also identified the following issues which seemed most pertinent in terms of developing the Commission's policy recommendations:

- Home building and the link between housing and inclusive growth
- Skills and productivity, particularly 14 – 24 years and career advice
- Local innovation for public service reform and new approaches to achieving integrated, long term social and economic outcomes
- Financial resource and the 'fiscal weather' of the new government; and,
- Reengaging people in politics and democracy.

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## Conservative Party conference, 3 October, Birmingham

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### Defining inclusive growth – beyond the metros and with a rounded understanding of inclusion and growth

Inclusive growth should not just be about the Northern Powerhouse or Midlands England, but a countrywide endeavour, argued one city leader. He explained that the Key Cities are comprised of 26 urban areas including important places on the south coast (such as Brighton, Bournemouth and Plymouth). The question is, how to make devolution work here?

Another city leader argued that there was a danger inclusive growth became a 'dash for homes' in London and the South East; *“there is not point insisting building more homes to enable supply to meet demand in the hope that prices will fall”*. The population is rising [too] rapidly, putting enormous pressure on housing. Housing regeneration also shows where growth can go wrong. *“When we bulldoze housing estates we flatten communities,”*. However, the London Plan is a rare example of spatial planning in the UK and this is an opportunity for inclusive growth (although it will take the new mayor four years to write and get agreement, by which time he'll be in his last year of office).

## “ Inclusive growth should not just be about the Northern Powerhouse or Midlands Engine, but a countrywide endeavour

One participant made the case for health inequalities and carbon reduction to be part of the Commission's quality GVA metric, so that it was really inclusive growth, not 'growth at any cost.'

One speaker was supportive of the Inclusive Growth Commission's interim report, but argued that the needs of society and social justice are underplayed. Describing Barnados as the 'juggernaut of children's services' – and the organisation celebrated its 150th anniversary earlier this year – They warned “if we get [this opportunity for inclusive growth] wrong and detach the social from the economic, we'll rue the day.” It is critical that the voluntary sector is part of the strategic solution, at a national and local

level. All too often local government defines the problem and solution in isolation, thinking of the voluntary sector only in its capacity as a delivery partner, commissioning it for services only at the end of the process.

### **We need to radically overhaul local commissioning of the voluntary sector to realise its potential for inclusive growth**

One speaker explained that their charity is stepping back from 1 – 2 year contracts which are increasingly common in the sector as local authorities are unsure of their resource base. But they know that short term programmes simply do not work. We need to take a longer term view. The voluntary sector could help places design more efficient, effective interventions, based on its deeper understanding of what works.

Some combined authorities are beginning to do this, such as Greater Manchester and the West Midlands, but ‘it is scary’ and there will be transitional problems – particularly over commissioning and procurement. They also gave an example of a three to five year relationship it is developing with Newport, where 50 of the 100 children’s services department staff are on secondment from their organisation.

One city leader explained “*We don’t have a roadmap for involving the Voluntary and Community Sector (VCS) and in the commissioning and procurement processes lose provides and take out social capital*” because of the direct costs of bidding for contracts and the risk – particularly when working with a larger prime organisation – losing out if they are not successful. Small VSC organisations are not geared up to cushion this cash flow volatility and can be quickly wiped out as a result, breaking down the social value and social cohesion they create in their communities.

Bristol has set up a new City Office to bring together trade unions, VCS, business CEOs, Vice-Chancellors and public service leaders to think about how they can better use their collective £7bn and 60-80,000 employees to make an impact on the city. Otherwise, “*we grab a project and a project there. It’s just reactive. We need to harness the stuff that we’ve got.*”

Another speaker agreed, “*most of the ideas from the community get lost in the commissioning process as [VSC] is forced to play the game*” and the local authority fails to get people in the room to make decision making and procurement processes inclusive. The problem of evidencing impact of the VCS and local innovation is difficult because it is working at too small a scale. But there are examples, and they mentioned an office fit out project in Knowle West, a deprived part of Bristol, in which the commissioning process ensured that young people in the local area were upskilled in

the relevant trades and supporting ‘21st century skills’ (including digital and technology skills) to increase social and human capital and create opportunity.

## **“The voluntary sector could help places design more efficient, effective interventions**

One speaker suggested that, to avoid potential loss to social capital and community capacity, local authorities could split out the commissioning process for large organisations (greater than, say, £1million turnover) and give grants to smaller organisations.

Devolution needs to allow for genuine place-based innovation and engagement with the private sector

One participant said that innovation can be made more difficult depending on the balance between the impact of central government policy and local programmes and priorities, and we need a more nuanced discussion about what, precisely, places could or could not do to realise their goals for their place.

One speaker noted that there has been recent legislation that enables local authorities to take over Clinical Commissioning Groups and another said that clause 29 of the draft Children’s Bill is trying to create the power for local authorities to innovate, when they can already do this without legislation.

One speaker noted that local government beyond the major metros is, in many areas, embarking on its own, voluntary reform, including in Dorset where nine councils have come together to recommend forming two unitary authorities (the proposal is now at public consultation stage). This gives critical mass for inward investment and, with its urban/rural split, allows for building a clear brand and profile for these areas, increasing their competitiveness.

In Bournemouth, JP Morgan is the biggest single employer and has just invested £50m into its campus, where much of the firm’s back office activity is located. The firm and city are working together to ensure apprenticeships are created for local young people. Employer engagement is critical in building confidence for attracting investment and driving growth amongst existing firms. One speaker considered whether smaller places, such as Bournemouth, are better able to integrate business in the development of their vision and strategy for the place.

However, another city leader reminded us that disaffection is not the inverse of proximity to government. Local government can often fail to engage its citizens and create political disconnect.

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## About the RSA Inclusive Growth Commission

Launched in April, 2016, the Inclusive Growth Commission is an independent, impactful inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous. Chaired by Stephanie Flanders, former BBC economics editor and J.P. Morgan Chief Market Strategist (UK and Europe), and building on the success of the RSA's City Growth Commission, the Commission will seek to devise new models for place-based growth, which enable the widest range of people to participate fully in, and benefit from, the growth of their local area.

The RSA City Growth Commission demonstrated how the largest UK cities can drive prosperity through place-based investment and economic policy making, enabled through devolution and new forms of governance and finance. This economic narrative has since driven policy developments, but it has become increasingly urgent to understand how we can deepen and broaden this vision, tackling the entrenched inequalities within and between neighbourhoods that act as a drag on growth, and ensuring that the benefits of this place-based approach are more widely shared.

## Find out more and get involved

To find out more about the Commission and view its latest content, visit [www.thersa.org/inclusivegrowthcommission](http://www.thersa.org/inclusivegrowthcommission) or our Twitter on @incgrowth.

To find out more about how you can get involved, contact Charlotte Alldritt, Director of the Commission, at [charlotte.alldritt@rsa.org.uk](mailto:alldritt@rsa.org.uk) or Atif Shafique, Lead Researcher, at [atif.shafique@rsa.org.uk](mailto:atif.shafique@rsa.org.uk).



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