

# Response to Inclusive Growth Commission

## Design Council submission

20/01/2017

This paper is a written contribution to the open call for evidence by the Inclusive Growth Commission. In this paper we set out our views on how to create:

- **more inclusive, productive labour markets:** by supporting and stimulating innovation within local economies, encouraging a more entrepreneurial culture which unlocks the energy and creativity of local communities, improving skills to remove barriers to full participation in the labour market and reducing demand on public services through better targeted provision.
- **dynamic, resilient places:** by adopting the principles of inclusive design, developing an infrastructure fit for the 21<sup>st</sup> century and creating and supporting higher wage, high value-add jobs.
- **systems change:** by supporting local authorities to reframe the challenges they seek to address and develop more innovative and better targeted solutions and exploring alternative finance mechanisms which prioritise social return.

### About Design Council

The Design Council is an independent charity that champions great design to improve lives. Our work places design at the heart of stimulating business growth helps to transform our public services and enhances places and cities to ensure a sustainable future for everyone. We advance new design thinking, encourage debate and inform government policy. Our vision is to create a better world by design.

In 2011, Design Council merged with the Commission for Architecture and the Built Environment (CABE), the Government's advisor on architecture and the built environment. Today, we directly support numerous cities and local authorities undergoing major growth and regeneration by providing strategic and detailed advice on the design of new developments, infrastructure, and supporting the planning process.

We welcome the Commission's inquiry into the important topic of Inclusive Growth. As the recent EU referendum results exposed, growing inequality and regional imbalance are two of the most pressing issues facing the UK today.

Our response to this consultation has been informed by many years' of experience in promoting inclusive place-making, supporting private sector innovation, transforming public services and unleashing the entrepreneurial talents of local communities through our Challenge programmes. In this paper we provide evidence from our experience and own research most relevant to the subject of inclusive growth, and respond to the themes of the consultation which we are best placed to address.



## **Economy - More inclusive, productive labour markets**

- 1. How can we enable as many people as possible to contribute to, and benefit from, local economic success?**
- 2. How can we overcome social, gender, health and other barriers to accessing local labour markets?**
- 3. How might more inclusive economies make places more productive and reduce demand for some public services over the long term?**
- 4. How can we shape cities and neighbourhoods to encourage a more entrepreneurial culture?**

There are a number of key challenges which will need to be addressed if as many people as possible are able to contribute to, and benefit from, local economic success. We outline these challenges below and propose a number of solutions based on our experience and research which we believe address the Commission's questions as to how to create more inclusive, productive labour markets. We are also in the process of conducting several strands of research which will further develop our thinking in this space, and we are keen to continue engaging with the Commission beyond this Call for Evidence. We are happy to share the findings from these research studies as and when they are finalised, in addition to the evidence contained within this paper.

### **Supporting more inclusive, productive labour markets**

A key challenge facing the UK economy at present is almost a decade of productivity stagnation. Prior to the 2008 recession UK labour productivity had grown by around 2% per year, but in the decade since it has hardly risen.<sup>1</sup> This matters because productivity is a fundamental driver of wage increases and as such as key determinant of living standards in communities across the country. Further to this, weak productivity also impacts on lower tax receipts and business competitiveness. Strengthening the competitiveness and vibrancy of local and UK-wide businesses has become even more important following the decision to withdraw from the EU, as well the introduction of devolved responsibilities giving local authorities the ability to capture the value of business rates, which further enhances the connection between local public services and the

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<sup>1</sup> House of Commons Library, (2016), *Productivity in the UK – Briefing Paper*, <http://researchbriefings.files.parliament.uk/documents/SN06492/SN06492.pdf>

success of the local economy. One key solution to this challenge will be supporting local economies across the country to be more innovative, including improving the use of design.

The causes of the UK's productivity puzzle are complex and there is no one solution. As such we do not claim design or innovation to be panaceas. However given the Commission's ambition of stimulating higher wage, high value-add jobs in more local economies across the country, design will be a vital constituent to interventions the commission recommend.

Nesta's Innovation Index has estimated that private sector investment in innovation<sup>2</sup> was responsible for around three fifths of labour productivity growth in the UK between 1990-2005, of which around 12% was design (just slightly less than spend on R&D).<sup>3</sup>

Added to this in 2015, the OECD determined that:

*Robust correlations are found between design use and firm's economic outcomes, especially value added and productivity growth. Firms using design as an integrated element are found to have on average a 9.1% higher employment growth rate, a 18.7% higher value added growth rate and a 10.4% higher productivity growth rate than similar-sized firms within their own sectors over the three-year period covered by the survey.<sup>4</sup>*

The successful use of design is closely linked to the ability to make productivity gains across the whole economy. Our 2015 research study 'The Design Economy'<sup>5</sup> found that firms using design contribute £72bn in gross value added to the UK economy, and the average 'design worker' is 41% more productive than the 'average UK worker'. In this instance improved productivity may include the use of design by businesses – and design skills within the labour market – to increase the value of products in the market. However it also can include the design of infrastructure - from city planning and designing new workplaces, to creating the physical and social conditions needed to boost productivity whilst ensuring as many people as possible capture the benefits of increased productivity through rising household incomes.

Design Council has recently launched a new research project which seeks to better define and codify 'design-led innovation'. Part of the characteristics of design-led innovation as we currently understand it is that it has people's needs at its core, but goes beyond simply asking people what they want, to understand people's latent needs and motivations.<sup>6</sup> Designers use an adopted

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<sup>2</sup> Defined as investment in intangible assets

<sup>3</sup> Nesta, (2012), *UK Innovation Index*, [http://www.nesta.org.uk/sites/default/files/innovation\\_index\\_2012.pdf](http://www.nesta.org.uk/sites/default/files/innovation_index_2012.pdf)

<sup>4</sup> Galindo-Rueda, F. and V. Millot (2015), "Measuring Design and its Role in Innovation", OECD Science, Technology and Industry Working Papers, No. 2015/01, OECD Publishing, Paris, p.8

<sup>5</sup> Design Council, (2015), *The Design Economy*, <http://www.designcouncil.org.uk/what-we-do/design-economy>

<sup>6</sup> In April 2017 we will be publishing the findings from the first phase of our research programme to better define, codify and measure design-led innovation in the UK. We will happily share the results of this research with the Commission.

approach to examine how a person's needs and motives change, understanding the interaction between transient trends and more universal principles. We believe the findings from this research will be relevant to the work of the Commission as it progresses its mission to promote inclusive growth.

### **Encouraging a more entrepreneurial culture**

Evaluation of previous Design Council programmes supporting SMEs to improve their use of design has determined that businesses can expect a £4 growth in net operating profit for every £1 invested in design.<sup>7</sup> Despite the strength of evidence on the positive impact of design and innovation on overall prosperity, the UK is experiencing declining levels of innovation<sup>8</sup> and 68% of UK businesses never, or rarely, use design, or use it only as a 'last finish'.<sup>9</sup> Given that SMEs constitute the majority of UK businesses, and are therefore likely to be pivotal to any attempt to develop more inclusive local economies, improving their ability to innovate will be key.

There is evidence to suggest that in addition to promoting increased private sector investment in these activities, publicly funded interventions can have a significant impact on rectifying this situation.<sup>10</sup> Furthermore there is an argument that universities and the creative industries also have a vital role to play in attracting investment to an area and operationalising higher-value add economic activity. Small and medium-sized knowledge-intensive creative businesses for instance offer one avenue for commercialising research conducted at universities, and research by Nesta has shown a strong relationship between healthy local economies and clusters of universities and creative businesses.<sup>11</sup> These impacts need not be confined to large cities either, as the same research highlights 'creative conurbations' such as Slough, High Wycombe, Peterborough and Guildford specialise in a smaller number of creative sub-sectors than nearby cities, but make significant economic contributions. This pattern is supported by Design Council research too,

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<sup>7</sup> Design Council, (2013), *Design Delivers for Business briefing*, <http://www.designcouncil.org.uk/knowledge-resources/report/design-delivers-business>

<sup>8</sup> The proportion of UK companies introducing at least one new innovation decreased by 12% in 2015, the second greatest decrease in the EU. Source: European Commission, (2016), *InnoBarometer 2016 – EU business innovation trends*, <http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/FLASH/surveyKy/2064>

<sup>9</sup> European Commission, (2016), *InnoBarometer 2016 – EU business innovation trends*, <http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/FLASH/surveyKy/2064>

<sup>10</sup> Houses of Parliament, (2015), *A roadmap for Research and Development*, <http://www.publications.parliament.uk/pa/cm201516/cmselect/cmsctech/340/34006.htm>

<sup>11</sup> Nesta, (2016), *The geography of creativity in the UK: Creative clusters, creative people and creative networks*, [https://www.nesta.org.uk/sites/default/files/the\\_geography\\_of\\_creativity\\_in\\_the\\_uk.pdf](https://www.nesta.org.uk/sites/default/files/the_geography_of_creativity_in_the_uk.pdf)

which shows areas such as Guildford have amongst the highest concentration of design firms and employment in the country.<sup>12</sup>

While persistently low levels of investment play a key part in the constraining productivity growth, perhaps a less recognised issue is the degree to which state funding is weighted towards foundation research, with insufficient funding available for supporting the commercialisation or realisation of that research, for instance into tangible products which can be brought to market. Although over £4bn is spent on creating the research base, only comparatively small sums are spent on turning that into wealth-producing products and services which could add benefits to local economies.

Since 2010, Design Council supported universities to improve the commercialisation of their research. An evaluation of our work in 2015 found that while we had provided training and coaching to approximately 30% of UK technology transfer offices (TTO's) and 5-10% of all TT practitioners, further work could be done in this area.

All of this provides the context to trying to promote more inclusive economic development through innovation. Any attempt to address imbalances at a regional level and between low paid, precarious employment and high wage, high value add employment at a local level will need to address such challenges. For instance the current lack of engagement and cooperation between the UK's design industries and the university research sector needs to be better understood and addressed head-on. While national government can play a key role in affecting this change, much of it requires leadership at a local level through local authorities and Local Enterprise Partnerships.

### **Improving skills to remove barriers to labour markets**

There is a considerable body of evidence on the contribution of skills to economic performance, including their role in fostering different kinds of innovation, supporting the introduction of new technologies, in facilitating knowledge transfer (between regions, countries and industries) and in fostering innovation of different kinds.<sup>13</sup> However the same evidence also suggests that skills can only make such positive contributions when they are applied in combination with other production inputs, including intangible assets such as investments in design and innovation.

As such any attempt to widen economic participation and improve the proportion of higher wage, high value add jobs in a local economy will require not only better alignment between local

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<sup>12</sup> Design Council, (2015), *Design Economy*, <http://www.designcouncil.org.uk/what-we-do/design-economy>

<sup>13</sup> House of Commons, (2016), *Education, skills and productivity: commissioned research*, [www.publications.parliament.uk/pa/cm201516/cmselect/cmbis/565/565.pdf](http://www.publications.parliament.uk/pa/cm201516/cmselect/cmbis/565/565.pdf)

employers, education institutions and local authorities in terms of skills and employment support, but will simultaneously require higher levels of business investment into intangible assets.

Design Council has recently launched a new research programme investigating both the supply of, and demand for, design skills which can aid innovation and productivity in the UK. We will be publishing our first report of findings in May 2017.

### **Reducing demand on public services**

We believe public services should be designed with the people that use them in mind. Many of our Design Challenges have explored ways to solve difficult public service problems, and we've seen some great results. For example, between 2011-2015 our 'Reducing Violence and Aggression in A&E' work saw threatening body language and aggressive behaviour fall in A&E departments by 50 per cent. For every £1 spent on the design solutions, £3 was generated in benefits for the NHS.

Our current programme of activity seeks to reduce demand for services in the longer term by supporting more preventative measures through the strategic application of design. We believe a similar approach could help create the conditions for more inclusive local economies, by not only supporting places to become more productive and reducing demand on existing public services, but also in supporting the development of services which can be more responsive to the wants and needs of marginalised communities.

For instance, the Design Council works to support those managing change in the built environment to create places which support improved health and wellbeing outcomes. There are of course multiple determinants of health and wellbeing, though we believe more could be done to recognise the impact of the built environment, particularly in terms of the impact for disadvantaged communities. Evidence suggests that poorer communities are more likely to live in neighbourhoods encouraging poor diets, sedentary lifestyles and isolation<sup>14</sup>, and there is a notable relationship between income inequality and health and social problems.<sup>15</sup> As such it is our belief that improving the design of all neighbourhoods to affect health and wellbeing outcomes will have the most significant benefits for the most disadvantaged quarters of the UK.

Our work in this area sets out to empower designers and decision-makers to tackle preventable disease and early death by creating places in which healthy behaviours are an integral part of everyday life. This is underpinned by evidence showing that people's behaviours are a primary

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<sup>14</sup> House of Lords, (2016), *Building Better Places*, <http://www.publications.parliament.uk/pa/ld201516/ldselect/ldbuilt/100/100.pdf>

<sup>15</sup> JRF, (2011), *Does income inequality cause health and social problems?*, <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/inequality-income-social-problems-full.pdf>

determinant of their 'Healthy Life Years' and that the nature of the environment that people live, learn, work and play in influences their behaviours, and therefore contributes to their physical and mental health status.

Design Council uses this evidence to advocate creating neighbourhoods in which active travel, contact with nature, positive social contact and access to healthy food are 'designed in' – for people of all ages, backgrounds and abilities. The strong correlation between poor health, deprivation and geographic location means that creating healthy places goes hand-in-hand with tackling a wide range of inequalities and meeting the health needs of all people. This is a prime example of the need for more inclusive economies and place-making.

We have also recently launched the 'Transform Ageing' programme, which will bring together people in later life, social entrepreneurs and health and social care leaders to define, develop and deliver new solutions that better support the needs and aspirations of our ageing communities.

Today, for the first time in history, Britain's over-65s outnumber people under the age of 16. By 2020, the Office for National Statistics predicts that people aged over 50 will make up almost one third (32%) of the workforce and nearly half (47%) the adult population, with 15.5 million people aged 65 and over.

As a consequence, there continues to be a surge in demand for health and social care services, while the number of people of working age will stagnate or shrink, causing gaps in the job market and further pressure on public finances through reduced tax revenues. This therefore remains a major consideration for any ambition to create sustainable, inclusive growth; supporting people to live healthier and more active later lives and where appropriate continue working into later life.

New innovations and solutions are required which recognises people as underused assets rather than burdens. We have already seen the value of this approach through our previous programmes such as the recent 'Knee High Design Challenge'. This programme provided support and funding for the development of new services and products that aimed to raise the health and wellbeing of children under five living in Southwark and Lambeth.

One of the core principles of this programme was tapping into the energy and expertise already existing within local communities, to unleash new ideas and innovations which could address issues facing local young children and their families. This included people working in the public sector who want to innovate from the inside, entrepreneurs who want to increase the impact of their work, and local parents who want to improve things in their community. The Challenge brought these people together to collaborate on shared challenges and generate new insights, which resulted in turning their co-produced ideas into investable ventures. It has taken early ideas

and given them the necessary time, space and permission to grow, resulting in a number of new social enterprises embedded into the local community.

Our new Transform Ageing programme adopts a similar philosophy in terms of supporting social entrepreneurship and innovation. Beginning in the South-West of England, Transform Ageing seeks to tackle the major challenge of an ageing society by helping local people to identify, develop and scale effective innovations for a healthy, active and prosperous later life. In doing so the programme also has the potential to strengthen the social economy, and we agree with the Commission that the social economy has a key role to play in promoting inclusive growth.

### **Place - Dynamic, resilient places**

- 1. What are the characteristics of success at different geographic levels – city-region, city, and neighbourhood – and how do these vary across the UK?**
- 2. How can all places create a viable model for sustainable, dynamic and inclusive place-based growth?**
- 3. How might places within and at the periphery of major urban centres capitalise on the potential of existing devolution deals?**
- 4. What additional powers and flexibilities might be needed to give places the ability to respond more effectively to the complexities of their economic geography?**

Through our work with public services and in the built environment we have identified key characteristics of successful local and regional economies, which we believe are relevant for this Commission. These include:

- Inclusive places
- 21<sup>st</sup> century infrastructure
- High value jobs

Several of these overlap with the findings of the Commission's deep dive research<sup>16</sup> although we aim to add additional insight based on our many years of practical experience.

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<sup>16</sup> RSA, (2016), *Inclusive growth for people and places: Findings from Inclusive Growth Commission deep dive research*, <https://www.thersa.org/discover/publications-and-articles/reports/inclusive-growth-for-people-and-places-challenges-and-opportunities>



## Inclusive places

The quality of buildings and spaces has a strong influence on the quality of people's lives and their ability to fully participate in activities within their local neighbourhood, city and region. Decisions about the planning, design, build and management of places can affect the enjoyment of them and independence within a space, influence ease of mobility, feelings of safety and a sense of belonging. Evidence from the US suggests that attachment to an area can impact on its local economic activity in that it "makes people more willing to invest and spend in that area, and separately influences their perception of the local economy".<sup>17</sup> Although accessibility has improved over the last decade, the fact remains that social, cultural and economic inequalities are still being built into many new places across the country.

Design Council Cabi's definition of inclusive design is straightforward and often-cited: "Inclusive design is about making places that everyone can use." This definition originated in *The Principles of Inclusive Design* (published by CABI in 2006<sup>18</sup>). In this document we outlined the qualities that make up an inclusive environment:

- **Inclusive:** so everyone can use them safely, easily and with dignity.
- **Responsive:** taking account of what people say they need and want.
- **Flexible:** so different people can use them in different ways.
- **Convenient:** so everyone can use them without too much effort or separation.
- **Accommodating:** for all people, regardless of their age, gender, mobility, ethnicity or circumstances.
- **Welcoming:** with no disabling barriers that might exclude some people.
- **Realistic:** offering more than one solution to help balance everyone's needs and recognising that one solution may not work for all.

There are five key principles which we believe are essential for facilitating place-based initiatives for inclusive growth:

- i. place people at the heart of the design process.

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<sup>17</sup> Participatory City, (2015), *Designed to scale*, <http://www.participatorycity.org/report-the-research/>

<sup>18</sup> Design Council, (2006), *Principles for Inclusive Design*, <http://www.designcouncil.org.uk/resources/guide/principles-inclusive-design>

- ii. acknowledge diversity and difference.
- iii. offers choice where a single design solution cannot accommodate all users
- iv. provide for flexibility in use.
- v. provide buildings and environments that are convenient and enjoyable to use for everyone.

Our programmes of work with cities and boroughs across England help to ensure that decision makers are putting communities and service users at the heart of the planning and development process through dedicated design support programmes tailored to each specific location and their needs.

In response to the challenges and opportunities that Design Council are aware of across England, we manage and run the Inclusive Environments Hub, which was initially developed in 2014, with government funding and industry support. It is a one-stop shop for built environment professionals to access resources, knowledge and case studies on inclusive design. It supports a community of practitioners, helping them make informed decisions to deliver more inclusive environments. The hub can be accessed here: <http://www.designcouncil.org.uk/projects/inclusive-design-hub-built-environment>

In 2008, Design Council also published *Inclusion by Design: Equality, Diversity and the Built Environment*, which highlights everyday examples from urban living that demonstrates how good design can help create places that work for everyone. This can be found here: <http://www.designcouncil.org.uk/resources/guide/inclusion-design-equality-diversity-and-built-environment>

## **21<sup>st</sup> Century infrastructure**

We recognise the Commission's concern that limited labour market mobility may limit the benefits of investment in 'hard' infrastructure to poorer and lower skilled workers. As such we support the interim recommendations of the Commission that infrastructure investment includes 'social infrastructure', such as investment into human capital, healthy communities and sustainable, prevention-focused public services, as well as 'hard infrastructure', such as energy, transport, water, waste water and waste. From our experience the two are often interlinked and represent the ideal type of infrastructure for the 21<sup>st</sup> century.

For example in 2015 Design Council Cabe was commissioned to play a key role overseeing of the Old Oak Common Opportunity Area in London. A High Speed 2 and Crossrail interchange is proposed to be built at Old Oak Common in West London by 2026, and it will transform one of the most inaccessible parts of the capital into a well-connected, world-class transport hub, handling

250,000 passengers a day. In the process the development of this 'hard' infrastructure will also attract increased investment into human capital through the creation of 65,000 jobs as well as development of sustainable new neighbourhoods through delivery of up to 25,500 homes alongside commercial developments to benefit the local economy.

We agree with the Commission that the State could do more to create the conditions for inclusive growth elsewhere in the country with similarly strategic investments.

### **High value jobs**

Key to driving vibrant, inclusive local economies is improving the balance of high-value, higher wage jobs against precarious, low skilled, low paid employment. We have seen clear evidence of the impact this can have when applied correctly. For instance, our 2015 research *The Design Economy* mapped the concentration of design firms and employment in areas across the UK to identify 'design clusters', finding seven of the 10 local authorities with the most significant concentrations of design activity are found in London. However when measuring growth in the concentration of design activity over a five year period, we found all of the top 10 fastest growing local authority areas were outside of London, with the greatest improvement found in Hinckley and Bosworth. Further investigation as to the causes of this improvement found the local economy in Hinckley and Bosworth has experienced substantial growth and investment in recent years, and is the fastest growing area within Leicestershire County. In particular the area invested in developing the MIRA Technology Park, which houses businesses such as Bosch, Jaguar-Land Rover and a number of well-known tyre brands such as Continental, Michelin and Pirelli, all of whom employ higher wage, higher value add roles, benefiting employees from the local community.

This example also raises a key issue which will need to be considered by the Commission if the ambition to realise inclusive growth across the country is to be realised - 'displacement'.<sup>19</sup> While one local authority area may benefit from large employers moving into their catchment, it potentially comes at the expense of reducing outputs, and prosperity, elsewhere in the country. With local authorities now responsible for setting their own business rates, competition between areas to attract such employers is only likely to increase.

### **Our recommendations for more dynamic, resilient places**

As the Inclusive Growth Commission looks for actionable solutions for facilitating place-based initiatives for inclusive growth, we recommend the following with regards to improving the distribution of well-designed places across the UK. Our key recommendation is that more could be

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<sup>19</sup> English partnerships, (2008), *Additionality Guide: A standard approach to assessing the additional impact of interventions*, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/191511/Additionality\\_Guide\\_0.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191511/Additionality_Guide_0.pdf)

done to maximise the social, environmental and economic value of building developments by strategically linking them to complementary policy agendas, for instance by promoting healthy lifestyles through a carefully designed neighbourhood. These recommendations will be further enhanced later in 2017 as we publish the results of our current research programmes:

- Improving the provision of inclusive buildings and spaces will contribute to a positive uplift in the economic participation of otherwise marginalised groups. This not only includes disabled people - who have an estimated £212bn spending power<sup>20</sup> which could be unlocked through better designed places - but could also unlock the £5.3bn earning potential of those who have dropped out of the workforce to take on caring responsibilities<sup>21</sup>, by reducing the social care needs of older or disabled people through better designed properties.
- Ensuring the benefits of inclusive design are sufficiently built into national and local health policies. Previous research found that in the past, some local authorities were spending more on treating illnesses arising from poor housing conditions than they spent on their own housing stock.<sup>22</sup> In the long-term the potential savings to public expenditure from health outcomes related to improved environments are likely to be significant, whilst in the short to medium term there are clearly efficiency savings to be made which can release expenditure to support inclusive growth.
- Providing good access to green spaces. This is proven to reduce the impact of deprivation, delivering better health and wellbeing and creating a strong community.<sup>23</sup> Due to factors related to access and income, older people, those on lower incomes and those who are disabled may have less choice about the area in which they live, which may include reduced (or no) access to the natural environment.
- Engaging a wide range of individuals and groups in all stages of a project is indispensable. Without it, there is a continuing risk that we create homes, public buildings and spaces which cannot be used by significant numbers of people. Furthermore, people will not avail themselves of facilities which are difficult or inconvenient to use. This may have a negative economic impact.

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<sup>20</sup> Department for Work and Pensions, (2014), *High street could be boosted by £212billion 'purple pound' by attracting disabled people and their families*, <https://www.gov.uk/government/news/high-street-could-be-boosted-by-212-billion-purple-pound-by-attracting-disabled-people-and-their-families>

<sup>21</sup> Age UK, (2016), *Later Life in the UK*, [http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/Later\\_Life\\_UK\\_factsheet.pdf?dtrk=true](http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/Later_Life_UK_factsheet.pdf?dtrk=true)

<sup>22</sup> Cabe, (2002), *The value of good design*, <http://www.designcouncil.org.uk/resources/report/value-good-design>

<sup>23</sup> Marmot, M., (2010), *Fair Society, Healthy Lives*, <http://www.instituteofhealthequity.org/projects/fair-society-healthy-lives-the-marmot-review>.

- Growing the number of high value jobs is likely to have a positive economic and social impact on an area, though the spectre of displacement between areas remains. To counteract this it is recommended that 'clusters' are supported and promoted, whereby firms from the same sector – or related sectors along the value chain – are encouraged to collaborate with one another across local authority boundaries. We have recently observed this effect happening between Bristol and Bath<sup>24</sup>, with design agencies and firms in both cities collaborating and doing business with each other, creating a net positive effect for both local economies and the wider region of North East Somerset. We believe encouraging a similar approach across sectors and between other regions of the country will help maintain and enhance gains made through more inclusive growth.

### **Governance - Creating system change**

- 1. How might we re-structure central and local public financing and related systems, so services support each other more effectively and decisions are made with a longer term time horizon in mind?**
- 2. What type of metrics for inclusive growth can be developed to support this?**
- 3. How can financial and fiscal risks be mitigated in places beyond the major metropolitan areas?**
- 4. How will Whitehall and the Devolved Administrations need to adapt?**
- 5. What are the barriers to achieving system and culture change?**

UK public services are increasingly subject to the same structural conditions which drive change in private sector businesses, particularly with regards to reducing costs and increasing productivity. Innovation is considered essential for this change to occur<sup>25</sup>, yet historically the conditions driving innovation within more complex social systems dealing with sensitive issues are typically difficult to quantify, implement and/or monetise.

The complexity of social systems and issues must be central to any discussion about re-structuring central and local public financing to promote inclusive growth. Changes in funding structures saw the abolition of Regional Development Agencies and the introduction of Local Enterprise Partnerships as the primary means for organising local-level economic development. A key

<sup>24</sup> Bristol and Bath by Design, (2016), *Final report*, <http://www.bristolbathdesign.org/findings/>.

<sup>25</sup> The Work Foundation, (2007), *Public Service Innovation*, [http://www.theworkfoundation.com/downloadpublication/report/70\\_70\\_psi2.pdf](http://www.theworkfoundation.com/downloadpublication/report/70_70_psi2.pdf).

consideration for the Commission will be how to best utilise these existing structures for promoting inclusive growth, and what additional structures at a sub-national level may be required.

Despite this, there are some positive examples to build on of how a combination of public and private financing can help address a range of social, environmental and economic issues. And this is a key point worth emphasising – local and central government funding will play a key role in stimulating and sustaining inclusive growth, though it is not their responsibility alone, and the private sector must also step up to do more. Social Impact Bonds are one example of private and public financing combining to deliver social outcomes which the Commission could investigate further (although evidence on their impact is mixed),<sup>26</sup> and social investment is becoming a growing alternative to the traditional and dichotomous private vs. public sector investment debate.

While there are a range of social finance mechanisms which could be leveraged to support inclusive growth – such as unsecured loans, charity bonds and quasi-equity - our 2014 research into social investment suggested that more could be done to fund social ventures as they move between start-up to scale.<sup>27</sup> Ensuring investment reaches social ventures at the right stage is essential for any ambitions to scale social impact. While recent changes to the social investment tax relief represent central government’s response to such challenges through a policy lever, there is potentially a more intensive and direct programme of activities required to address this challenge which the Commission should explore.

The world of social investment also offers a plethora of metrics which could be adapted for better measuring inclusive growth, including the [IRIS databank](#) collated by the Global Impact Investing Network as well as metrics developed by Big Society Capital to measure the impact of their investment portfolio across the UK.<sup>28</sup> These metrics could be adapted to measure the impact of investments and business activities within a local economy on promoting inclusive growth, and we can foresee a scenario whereby they are used alongside tools such as JRF’s ‘Inclusive Growth Monitor’<sup>29</sup> to measure progress towards inclusive growth at both a micro and macro level.

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<sup>26</sup> Pue, K., (2016), *Social Impact Bonds: Reconciling Theory and Emerging Practice*, [http://www.isircconference2016.com/uploads/6/2/6/9/62694591/155 - isirc2016.sibs.kristen\\_pue.31aug2016.pdf](http://www.isircconference2016.com/uploads/6/2/6/9/62694591/155_-_isirc2016.sibs.kristen_pue.31aug2016.pdf)

<sup>27</sup> Design Council, (2014), *Social Finance in the UK*, <http://www.designcouncil.org.uk/sites/default/files/asset/document/Social%20finance%20in%20the%20UK.pdf>

<sup>28</sup> Big Society Capital (no date), *Outcomes Matrix*, <https://www.bigsocietycapital.com/impact-matrix/filter/206>

<sup>29</sup> JRF, (2016), *An inclusive growth monitor for measuring the relationship between poverty and growth*, <https://www.jrf.org.uk/report/inclusive-growth-monitor>

The 2012 Social Value Act is another example of a recent policy tool which has been introduced to maximise the impact of public finances in creating wider social, economic and environmental benefits for local communities. Working with social entrepreneurs is one of many ways in which local authorities and other commissioners may seek to improve outcomes and engage with local communities, and this is the approach we adopt in our work. Through our Transform Ageing programme we are seeking to further disrupt commissioning processes, working closely with health and social care leaders to help them effectively commission social entrepreneurs, and in doing so also help them foster closer relationships with services users in later life. We hope that by more closely involving older people and social entrepreneurs in the design of local commissioning process, we can improve the social impact of public finances.

In addition to ensuring public services are delivered effectively, several organisations including Design Council have started looking in to how the policy making process itself could be more innovative. Research by the Institute for Government<sup>30</sup> suggested that policy-making processes “greatly underestimate the value of policy design” and that “a greater emphasis on policy design helps to ensure that the planned actions represent a realistic and viable means of achieving the policy goals”. Our experience is that many public services start with interventions they already have at their disposal, meaning that often the problems they seek to solve are shaped by the solutions they have already developed, not the other way round. This is as true for local governments as it is for central, and we believe that these are among the key barriers to affecting system and culture transformation in public services.

A key emphasis on our work at Design Council involves supporting public services to reframe challenges by gaining a better understanding of the problem and pose new questions to inspire new solutions. In recent years a growing number of public services have adopted such design methods as they attempt to tackle intractable problems, in which ambiguity and complexity requisite the use of more creative approaches. This approach has gained considerable traction in policy circles over recent years, though there has been an acknowledgement that in addition to saying policymakers should be more strategic and use design more, they require training and coaching to enable them to do use this approach sustainability.

Design Council has led the way in building the capacity of policymakers and civil servants. Recent examples of our work include the Design in the Public Sector programme, which aims to help local authorities and partner agencies change the way they scope and plan changes to service delivery at the critical early stage of commissioning or transition, and our European Policy Lab, which works with policy makers at the European Commission to help them use design in their policy-making

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<sup>30</sup> Institute for Government, (2011), *Policymaking in the real world*, <http://www.instituteforgovernment.org.uk/sites/default/files/publications/Policy%20making%20in%20the%20real%20world.pdf>.

activities and meet the challenge of doing more with less, while at the same time meeting greater expectations of what states can deliver.

### **Concluding remarks**

For truly inclusive growth unlocking innovation is essential, as is responding at pace and ensuring the talent and knowledge within our communities is fully utilised and appreciated. We believe that better and more strategic planning and execution of policies can have significant impacts in terms of mitigating financial and fiscal risks, and this approach could have added value in places beyond the major metropolitan areas where the margins for error are slimmer.

We encourage the Commission to be ambitious in their recommendations, thinking strategically about how existing resources and policies could be better aligned to promote inclusive growth, as well as visionary in presenting a longer-term vision for how these changes could be sustained. Design Council is committed to supporting this work through supporting design-led innovation across the economy, transforming public services and designing more inclusive places.

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