

RSA Inclusive Growth Commission – Written Submission

Introduction

Nottingham City Council and One Nottingham were pleased to host a visit from the Commission on 1st November for a roundtable discussion and evidence hearing, involving a wide range of stakeholders from Nottingham. The purpose of this written submission is to amplify some of the points made at the evidence hearing and to provide some additional evidence on topics that were not covered in much detail on the day.

This written submission should be read alongside the [official write-up of the Nottingham evidence hearing](#) and the response from Core Cities UK. We have structured this paper around the questions in the Commission's Call for Evidence.

We note that citizen engagement has been part of the Commission's inquiry and we will be interested to see the findings arising from this. We would encourage the Commission to carry out primary research directly with communities. This deep engagement is key to understanding the issues around inclusive growth as they are experienced by local people, and identifying effective policy interventions. Nottingham would be keen to be part of any further work on this.

Context

Nottingham like most other large cities has undergone a period of de-industrialisation over more than three decades and its economy has had to realign. In Nottingham, we responded to the 2008 global financial crash with a three-pronged approach of resilience (to support our businesses and citizens in the immediate aftermath of the crash), realignment and recovery.

Nottingham's pre-crash economy had become over-reliant on professional services, the public sector and retail. The Nottingham Growth Plan and City Deal aimed to rebalance our economy by focusing on life sciences, clean tech and creative industries.

This work recognised that the city had a jobs gap and a skills gap – we needed jobs growth to counter rising unemployment, and to raise skills so that our citizens could take advantage of opportunities. Since 2012 it has become clear that we also face a productivity gap and an increase in in-work poverty. The long-accepted social compact, that work is the route out of poverty, has been broken.

National economic policy is aimed at economic growth per se, and that the social – and environmental – aspects of economic policy are very much treated as separate issues. This means that we have a national policy of pursuing growth at (almost) any cost – and when the 'rising tide' fails to 'lift all boats' we are left to deal with the societal impact of those left behind.

This is felt particularly keenly in major cities with significant pockets of deprivation, like Nottingham.



Questions asked by the Commission's call for evidence

Economy

How can we enable as many people as possible to contribute to, and benefit from, local economic success?

Aspirations, personal resilience and social capital

The evidence hearing in Nottingham explored issues around whether people from different communities in Nottingham have low participation in the labour market due to a lack of aspiration or whether limited social capital is the factor. There was a discussion about the extent to which young people from different communities tailor their aspirations to the opportunities they see around them; and whether they actually know about the full range of opportunities in the city and whether they have role models or social connections to help them access opportunities. These issues may influence the decisions they make on subjects/qualifications at school which in turn can determine which opportunities are open to them.

Research evidence shows how personal resilience is key to some individuals overcoming adverse circumstances and social exclusion, whereas other people experience long lasting disadvantage. Some of these personal resilience factors can be encouraged through specific interventions. The work of Professor Mick Waters of Wolverhampton University on how children can build personal resilience and learn important skills through taking (reasonable) risks may also be relevant here.

There are many areas in the country which have similar issues to Nottingham and its most deprived wards. There are various barriers to work in areas outside of city centres which often were established around a particular industry which may no longer exist in the community, such as manufacturing. In some cases this has led to entrenched family worklessness and a limited number of opportunities locally; which can be affected by other factors such as a lack of job-suitable skills, qualifications or experience.

Rebalancing the Outer Estates Foundation

Nottingham North MP Graham Allen has established the Rebalancing the Outer Estates Foundation, which aims to improve employment prospects. In 2015 Nottingham North sent the lowest number of young people to university of any constituency in the UK apart from Glasgow North East, and has twice the national average number of both single parent households and children eligible for free school meals. The aims of the Foundation include creating more jobs in and around North Nottingham; for jobs to be accessible to local residents; and to improve education, skills and training for local residents.



University outreach programmes

The University of Nottingham runs Nottingham Potential, which holds outreach initiatives to support young people from lower socio-economic backgrounds in reaching their academic potential. Partnering with Into University they work with children as young as seven to raise attainment and aspirations.

Nottingham Trent University runs 'widening participation' sessions to increase the proportion of learners who progress to higher education from under-represented groups, particularly those from lower socio-economic groups, and offers bursaries to support young people from a low-income background with the costs of Higher Education.

As above, young people from Nottingham North are less likely to attend university than young people from any other constituency in the country except Glasgow North East. Nottingham North formerly sent the fewest young people to university of any constituency in the UK, and projects such as those run by Nottingham's two universities aim to see this improve further still. Both projects include engagement with schools and young people in Nottingham North where improvement in the numbers accessing Higher Education is desperately needed.

How can we overcome social, gender, health and other barriers to accessing local labour markets?

Ethnic inequality

The experiences of different established and emerging Black and Minority Ethnic (BME) communities were discussed during the Commission's visit to Nottingham. Some ethnic groups are more deprived than others within the city. In terms of the proportion of each group living in the most deprived 10% of wards, mixed race White and Black Caribbean (47%) and mixed race White and Black African (46%), along with Black African (47%), and Black Caribbean (42%) fair worse than the average of all people in the City (32%). There is significant variation between ethnic groups with people from Indian (18%) and Chinese (19%) ethnic groups both much less likely to live in a particularly deprived area within the City.

In Nottingham City attainment figures show that BME young people perform well compared with their white peers. At Key Stage 2 in 2016, Asian, Chinese and Black young people exceeded the average score for the city as a whole. Young people classed as 'mixed' had an attainment gap of 2.2% and white young people a gap of 0.4%. At Key Stage 4 in 2016, Asian, Chinese and Black young people also outperformed the city average attainment; young people classed as 'mixed' equalled the attainment, whereas white young people had an attainment gap of 2.2%.

Despite the educational performance, we know BME residents tend to be disadvantaged in the labour market. Large employers and the public sector do not reflect the diversity of the city, particularly at more senior levels. This should be a priority for public and private sector employers.

The City Council participates in positive action schemes such as [PATRA](#) (Positive Action Training and Recruitment Agency) which provides training and work placements for local people from Black and Minority Ethnic backgrounds. Nottingham City Council has also established a Future Leaders programme to support BME employees to advance their career.



Gender inequality

Gender inequality in the labour market persists but often goes ‘under the radar’. For instance support schemes are often targeted at boys and young men, often to divert young males away from crime, anti-social behaviour and gangs. Apprenticeships are often in traditionally male occupations, particularly those that lead to higher salaries e.g. plumbers, joiners and IT roles. If women are to achieve parity in the labour market the apprenticeship offer should be as broad as possible and more needs to be done to encourage young women to take them up.

Women into Construction – Nottingham City Homes (NCH)

Nottingham City Homes’ Women into Construction project is a clear demonstration of how a social landlord can support people into work. In this project, individuals who would not traditionally consider a career in construction (e.g. women who are unemployed / on low incomes / female school leavers etc.) are supported to consider this career option. A programme of activity developed with local partners is designed to inform and then support people to apply for apprenticeships at NCH. To date over 500 women have received training via NCH. Prior to the project starting 0.5% of construction apprentice applications were from women, by 2016 that had increased to 16%.

Projects like this can deliver on inclusivity by engaging people who would otherwise be locked out of the opportunities available to them.

Childcare

Lack of affordable childcare is a significant barrier to women achieving their potential in the labour market. National Government is not providing enough funding for the free places scheme.

- The larger proportion of day nurseries, child-minders and pre-schools are based in the 40% most disadvantaged wards in Nottingham, meaning childcare is available within the most deprived wards, and could be accessed by low-income families if funding support was available.
- Currently 63% of the eligible two-year-old population is accessing a funded childcare place in Nottingham. This figure is steadily rising each term.
- Historically, children in Nottingham City enter school below their age-related expectation for communication and language. Nottingham has several initiatives aimed at combatting this, including Small Steps Big Changes; Talking Twos programmes and the Dolly Parton Imagination Library book gifting project.
- Childcare providers are, where possible, responsive to the needs of individual families, which may include offering a flexible pattern of attendance for people working shifts including weekend working. This type of flexibility can be invaluable for parents returning to employment or accessing training.
- Childcare should be sufficiently funded to provide the 30 hours free childcare pledge without risk to the sustainability of providers.
- There should be more flexibility to assist working parents to access childcare when they need it to cover the times at which they are working, for example five mornings per week from 9am – 12pm may not allow the primary care giver an opportunity to work, but more flexible hours might.

Early intervention/prevention

Early years

- There is an understanding in Nottingham that what happens up to a child's birth and in their first year steers their whole life.
- Nottingham has identified the need to shift investment to the early years; if a child is not ready for school at the age of four they will almost certainly not catch up with their peers and will therefore not be ready for work later on.
- We would call for more investment in early years, including maternal mental health and support services for expectant and new mothers.

Asks:

- With more funding available through the Early Years Pupil Premium we would be able to assist a greater number of disadvantaged young people to catch-up or keep-up with their peers. Additional funding would allow for more resources and more dedicated time with highly trained professionals to give our disadvantaged children the best start possible.
- The programmes in place are already beginning to make a difference to some of our most disadvantaged children and young people. Cuts to funding could jeopardise this. With support from central Government and local business we can continue these programmes and expand them to work with more children, young people and families. This would ensure all of our children and young people have the best possible start in life and the same opportunities as their more advantaged peers.

Vulnerable adults

- Nottingham has invested in integrated services to address issues and to assist vulnerable people to be able to access work. These are very difficult to fund in the current environment; the Supporting People programme was good example of integrated services but it has been abolished.

Young people Not in Employment, Education or Training (NEET)

- Nottingham's total NEET or unknown percentage is currently at 5.5%. Two wards of the city have levels of almost 10%; St. Ann's has a percentage of 9.2%, Bridge has 9.4%.
- The proportion of children about whom we do not have details is 2.7%, which is amongst the best rates in the country and the lowest NEET/not known rate of all Core Cities.
- Research by York University in 2010 found that the average cost to the public purse of a NEET young person was £8,000 per year, whereas prevention programmes cost far less.

How can we shape cities and neighbourhoods to encourage a more entrepreneurial culture?

- Nottingham has long been associated with successful business and companies and this continues. There are opportunities to support new and emerging businesses and entrepreneurs to ensure success.



- In 2003 BioCity Nottingham was launched, one of the first Bioscience incubators in Europe. In 2013 MediCity Nottingham opened, a collaboration between Boots and BioCity which is an incubator designed to provide a “stimulating and supportive business development environment” for innovators in consumer healthcare, medical technology, diagnostics and beauty products. BioCity offers laboratory and office space with business support and services to early stage companies in the life sciences sector. Companies operating from BioCity have a 91% survival rating, which demonstrates that this kind of support for growing businesses can ensure their long-term sustainability.
- The Haydn Green Trust, established in memory of the late Nottingham businessman, helps to build innovative and entrepreneurial structures within charitable or voluntary sectors by providing collaboration or financial assistance to those organisations. The trust donated money to the University of Nottingham’s Business School, which now houses the Haydn Green Institute for Innovation and Entrepreneurship. The institute is one of the leading centres in Europe for the development of enterprise skills in the next generation of entrepreneurs and helps hundreds of students every year to develop the entrepreneurial skills that will enable them to thrive as business leaders.
- Support to ensure ventures which encourage and assist local businesses and entrepreneurs is vital to ensure those who may not ordinarily have the opportunity or means to go into business for themselves are not prevented from doing so.
- Nottingham Trent University (NTU) became the parent company of Confetti Media Group in July 2015, following the launch of the Notts TV joint-venture in 2013. Confetti was founded in 1994 and is a specialist creative industry education and training centre which has industry-connected tutors and over 1300 students. Confetti offers courses at varying levels to suit a range of academic abilities, meaning nobody is dismissed because of their academic ability.

Pathways Care Solutions

Pathway Care Solutions is one of the most successful BME-led businesses in Nottingham, employing around 200 local people. They run 12 residential settings for children with learning or physical disabilities or with social, emotional or behavioural issues.

Pathways decided to take a deliberately placed-based approach to recruitment, targeting local people. Pathways were aware of the educational issues in Nottingham and introduced a zero qualification system, where recruits could come into the organisation without any qualifications and would be guaranteed an education. Part of the deal was that if they were given employment, they agreed to sign up to at least an NVQ level 3. 200 local people were recruited, 75% of whom came in with no meaningful qualifications, and all left with at least NVQ level 3. By recruiting locally Pathways’ retention rates were very high, and all of their care homes were rated either good or outstanding.

Place

How can all places create a viable model for sustainable, dynamic and inclusive place-based growth?



Importance of partnership working

- Nottingham decided to keep its Local Strategic Partnership (LSP), 'One Nottingham' even though it is no longer a Government requirement to have one.
- One Nottingham is responsible for the Nottingham Plan, our 'place-plan' and was designed as a self-contained holder for all partnerships and relationships in the city.
- Central Government funding tends to be issue-based and policy is often developed by Departments without a coherent consideration of how policy is implemented and experienced in places. The system is fragmented and there is a risk to partnerships as staffing and funding reduce.
- Having an LSP allows Nottingham to look at issues of place and the needs of people as a whole. A place plan such as the Nottingham Plan can ensure strategic overview that makes sense to a range of partners including local communities, Local Enterprise Partnerships (LEPs), the regions and upwards.
- Relationships with cities and regions, as well as other partners, are key to making the most of the opportunities around devolution.

Asks:

- The Government needs to provide grants or funding streams that enable local strategic place shaping vision, not just narrow bidding contests that are decided upon by remote civil servants with no knowledge of the locality.

How might places within and at the periphery of major urban centres capitalise on the potential of existing devolution deals?

The D2N2 LEP area, which includes Nottingham, has not yet been successful in securing a Devolution Deal. The D2N2 area is home to 2.2 million people and includes two major urban centres represented by the two unitary authorities of Derby and Nottingham as well as a number of major market towns and a sizeable rural community featuring a more dispersed population. As such, a successful deal in our area would have provided a case study for how both major urban areas and their wider surrounding economic areas could have benefitted from devolution.

Nottingham and our partner Councils have made efforts to engage local people in the devolution process through a number of channels – a dedicated [website](#), Citizen's Panel, consultation and involvement of businesses and business representative organisations. We recognised that without the involvement of both local people and the business sector, including SMEs, devolution to our area would be meaningless.

Local people and small businesses can feel excluded from discussions on devolution. Business engagement can fall into the trap of involving larger businesses; this leads to increasing divides where small businesses do not feel like they have been included in discussion on devolution. Many small businesses are based in communities outside of the major urban centres and so this can lead to fragmented support for and engagement with proposed devolution deals.

Should a deal be agreed in the future we would launch a citizens' campaign that would take public knowledge of the deal to a much higher level and hold a formal



consultation with local people and key stakeholders such as small businesses that would meet the statutory requirement to consult.

What additional powers and flexibilities might be needed to give places the ability to respond more effectively to the complexities of their economic geography?

Skills, work experience and education

- From a very early stage, young people need to be informed about the world of work and to have numerous experiences of working alongside employers and the workplace (appropriate to the age of the young person) in order to raise aspirations and ambitions. We need a single independent careers service, which is informed and directed by the needs of the local labour market.
- Employers are frustrated that the skills provision providers deliver does not meet their needs. It is disjointed and is based upon learner demand. Success depends on the learner being informed on the opportunities within the local labour market. This in turn depends on strong, quality careers guidance.
- Many employers have a good understanding of what skill needs they will require in the future but feel they cannot influence providers.
- However not all employers know their longer term needs, so it is important that employers work alongside the training provider on the design and content of the provision, and that the funding enables this flexibility.
- Some good employer/school partnerships exist but it is patchy and is particularly difficult for small employers.

Aspire programme

Nottingham City Council and One Nottingham have funded 'Aspire', a programme delivered by Futures Advice, Skills and Employment. Aspire is an education business partnership, providing a brokerage service between schools and local employers in Nottingham City to help primary and secondary school children raise their levels of achievement and career aspiration to prepare them for the world of work. To ensure that all young people in Nottingham are adequately informed and prepared for the world of work the programme gives them regular contact with employers by the time they leave full time education, through a programme of integrated employability support.

Aspire has also supported a bespoke package of events to specifically support pupils who lack confidence, struggle academically or are considered to be disengaged from education. Working with Business in the Community and Humanutopia – a social enterprise that specialises in working with young people – workshops were run with 160 school pupils across Nottingham to support their understanding of the world of work and the possibilities it can bring.

Asks:

- Localisation of skills funding will not only ensure that provision is based upon employer needs, informed by the real relationships with employers at a local level, but would also mean alignment and integration of provision to ensure that adequate pathways are created for local communities to develop the skills they need to take up these opportunities.



- Devolution of national employment services would enable us to target resource to areas where it will have most significant impact and to ensure that provision is integrated at a local level thereby increasing value for money.
- Devolution of the Apprenticeship Levy would mean it could be used to support local businesses to invest in skills for growth sectors.
- Skills provision should also be informed by the local labour market, with employers embedded within the teaching process.
- Inclusive growth requires more integration of national and local provision, directed to meet local needs and take a 'whole person' approach to employability. Local places need to have local influence over the new Work & Health Programme as it is developed.

Fragmented education system

- The fragmentation of the education and skills system makes it difficult to ensure quality and appropriate oversight in local areas.
- This is not an issue which is dealt with through recombining the two issues within the Department for Education – it is a more fundamental point about accountability for young people's learning.
- Previously local authorities provided this accountability – understanding the nature of a learner's social situation and its interaction with educational performance.
- Now, local authorities have very little influence over schools – with bodies such as Multi Academy Trusts and Regional Schools Commissioners taking more powers.
- This is already having an impact on issues such as exclusion – it is not in the interests of individual academies to retain the most challenging pupils.
- If the ban on grammar schools is lifted it will lead to further fragmentation, with children from more affluent families able to access the best education and those with high levels of prior attainment being separated from their less able peers.
- It is also impacting on competition at 16-18; academies are incentivised to keep pupils, even if their scale of provision cannot provide a wide enough range of education which a Further Education (FE) college might. Transition between school and FE is a challenge and there are perverse funding incentives. Funding for FE is insufficient, especially when compared with Higher Education (HE).
- The UK has a long standing issue with academic versus vocational qualifications and the new Further Education Bill looks set to exacerbate this by reinforcing a binary choice between technical or academic education.
- In the Education Select Committee evidence hearing on 8th November 2016 Anna Vignoles from the Faculty of Education at the University of Cambridge commented "are grammar schools a force for social mobility? The answer on that is definitively no". At the same hearing, David Jesson from the University of York said "I believe there is a disadvantage about the selective system, notably because of its very poor record at recruiting youngsters from disadvantaged backgrounds"; it has not been made clear how this would and could be addressed.
- Selective schools tend to take higher ability pupils, meaning other schools do not have a full range of abilities to challenge and provide peer support to pupils.

Asks:



- Not to lift the ban on new and expanding grammar schools, which would introduce further fragmentation into the education system and further disadvantage the majority of young people from low-income families.
- Not to continue with plans for all schools to become academies; this would also increase fragmentation in the system, and would remove local authority oversight of education.

Housing

Housing plays an important role in inclusive growth. Some national policies are making it hard to achieve inclusive economies by increasing poverty and destabilising communities, thereby impacting on children's educational attainment, health and welfare.

Investing in housing supply

- There should be a shift away from using people-based subsidy (Housing Benefit) to subsidise building. Local Housing Allowance expenditure in Nottingham rose from £22.5 million in 2009/10 to £41.6 million in 2013/14. This is public money going to private landlords rather than providing any additional homes, and secures no long-term housing assets or equity in exchange for the public expenditure.
- Wealth inequality is increasingly related to home ownership. Nottingham has significantly lower levels of home ownership (45% compared to 63% nationally). This has obvious implications for inequality; there are fewer asset owners and thus less wealth transfer than is seen in other parts of the country. Nottingham has low average earnings which makes home ownership difficult, even with the various Government home ownership schemes.
- More local control of housing investment is needed. In order to achieve inclusive growth in housing there must be more focus on access to housing which people can afford to rent or buy. There is an acute shortage of affordable housing. The country has never previously been able to build the number of homes needed without a significant contribution from the public sector. Local authorities and Arm's Length Housing Management Organisations (ALMOs) need greater freedom to build by raising the 'borrowing cap' on the Housing Revenue Account. This can generate new build supply, especially on difficult sites not attractive to the private sector, thus stimulating regeneration. It can also serve to support the local supply chain, provide training/apprenticeships and help local construction companies 'gear up' for further building. The power of construction as a source of local growth should not be underestimated with higher than average proportions of spend-by-industry being retained locally. Unfortunately, recent Government policy to encourage housing delivery has been focused on loan funding when the fundamental problem for many large sites in the midlands and north of England is not cash flow but rather viability – the sites need gap funding to meet clean-up and infrastructure costs. Punitive taxation to tackle land banking would also incentivise landowners who refuse to develop due to unrealistic hope-values.
- One of the Council's key strategic priorities is to deliver 2,500 new homes which Nottingham people can afford to buy or rent, and there is recognition that a significant element should be homes which can be bought by people on average incomes.
- More affordable homes available to a wider group of applicants, better spread throughout neighbourhoods avoids 'residualisation', avoiding social housing



becoming pockets of concentrated disadvantage. An important aspect of this is investment in the ‘fabric’ of the neighbourhood – ensuring it is desirable both for those who live in social housing and for those who privately own or privately rent their homes.

- Access to housing that people can afford to buy is an important aspect of inclusive growth. This should not primarily be via the sale of existing social housing (e.g. Right to Buy), without a clear and deliverable strategy for 1 for 1 replacement. Existing Government policies are not delivering that replacement. Homes for sale and homes for rent can be designed on a tenure-blind approach creating mixed and sustainable communities.
- Demographic change predicts a growing shortage of desirable older people’s accommodation such as bungalows or purpose built flats, leaving too many under-occupying family homes which are unsuitable e.g. because of stairs or needing running costs beyond the resident’s ability to pay. Quality older people’s housing would free up these family homes.

Improving standards

- In the social housing sector, quality standards have been significantly raised by the Decent Homes programme. The further impacts of the programme in terms of reduced crime, reduction in fuel poverty and employment opportunities is well documented in the Nottingham City Homes (NCH) [impact study](#).
- The Private Rented Sector (PRS) is of great importance to the city’s prosperity and has grown from 12% to 20% of the city’s housing since the 2001 census. It supports the local economy by providing easy-access homes for young professionals and workers not yet ready or able to buy. The PRS also supports a large number of people on lower incomes who are unable to access social housing. Improving standards is important for inclusive growth. A recent survey in Nottingham found a higher level of hazards and disrepair in the PRS than in other tenures, and there are increasing numbers of complaints about PRS housing. Local authorities need more powers to regulate the PRS. The requirements of evidencing the need for landlord licensing schemes is onerous and, for larger schemes, subject to central Government approval. If councils were able to introduce local schemes more easily we would see a much more rapid improvement in the sector, and a tenure providing the quality of homes to match aspirations for growth.
- Energy efficiency of housing is an important factor. Improving the thermal efficiency of homes can have a significant impact on health and also the disposable incomes of citizens. Cutting fuel costs is vital for low income communities / tackling fuel poverty (as well as helping meet carbon emissions targets). Local housing organisations can generate efficient cross-tenure neighbourhood-based energy efficiency and insulation schemes for households, using economy of scale to drive down costs. Reductions in the Government’s support for green initiatives have reduced these opportunities.

Energy efficiency

Nottingham has had a rolling programme of solid wall insulation of council homes, which is also available to homeowners at a greatly discounted rate, supported where necessarily by low cost loans. 6,700 council-owned and privately-owned solid wall, ‘hard to treat’ properties have been fitted with insulating cladding to help save energy and tackle fuel poverty. Nottingham City Homes / Nottingham City Council have also



installed solar photovoltaic panels on 4,000 of its homes, helping tenants to reduce their electricity bills.

- Housing organisations have supported and worked with partners including social enterprises based in deprived communities to deliver training and routes to employment for local people, as well as directly providing training services to help tenants and residents overcome skills gaps.

Employment, training and skills

Nottingham Community Housing Association has set up a training company and has a number of social enterprises which employ local people. Nottingham City Homes (NCH) has set up a Tenant Academy which gives tenants skills to enhance their employability and has a nationally-recognised apprenticeship scheme (more about NCH's Employability Strategy appears below). Metropolitan Housing Trust has also prioritised employment initiatives.

Business Support

- Business support is a key issue but is fragmented and confusing, and can be dependent on the post code in which a business is located. It can be hard for small businesses to access support as they are very 'time poor'. Business support needs to serve Small and Medium Sized Enterprises better.
- The Government has devolved many business support functions to local areas in the form of Business Growth Hubs, which is welcome. This was part of a radical reform of the business support landscape which, unfortunately, saw overall budgets cut significantly. The arrangements are relatively new but it is expected that Business Growth Hubs will achieve better outcomes because they are in a better position to serve the needs of local businesses. Core Cities are continuing to press for Business Growth Hubs to be underpinned by Government funding in addition to local and EU funding.
- In national policy there is a focus on high-growth businesses but this should not be at the expense of sustainable growth. The role of local independent and family businesses is often undervalued. Local independents and family businesses are rooted in the community unlike national chains. Local businesses are less concerned with qualifications and would rather employ someone from the local community whom they can train themselves; they can be invaluable in pressing for social inclusion and a connection with local citizens.

Governance

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?

Inclusivity requires effort and investment but is important if we are to ensure everyone can play their part in and benefit from prosperity growth. Until that is recognised we will not achieve inclusive economies. The squeeze on funding for public services has made this even more challenging. However, there are also costs – financial, economic and social - to individuals, communities and the wider economy if the UK does not achieve more inclusive growth, as evidenced by the Core Cities and others.



Local authorities have seen substantial cuts to their budgets since 2010, and these have impacted disproportionately on cities in the north and midlands which also experience high levels of deprivation. In the 2016/17 funding settlement, all the English Core Cities received a greater than average cut in ‘spending power’, based on figures from the Department of Communities and Local Government. See Table 1 below.

Nottingham’s budget position:

- Nottingham City Council’s overall financial settlement funding from Government has halved since 2010/11 with loss of **£130.654 million** after rebasing for transfers of responsibility and specific grants (£265.330 million to £134.677 million)
- By 2017/18 our Revenue Support Grant (RSG) will have fallen since 2013/14 by **£82.334 million** or **64.9%** (£126.819 million to £44.485million)
- We have previously agreed **£204 million** saving proposals over for 2010/11 to 2016/17
- Further **£27 million** proposals to balance the budget have been proposed in consultation for 2017/18.

Table 1

CORE CITIES - 2016/17 LOCAL GOVERNMENT SETTLEMENT							
Authority	Type	Transition Grant £m	Spending Power %		Spending Power Change per Dwelling		Political Control
			Provisional	Final	Provisional	Final	
			%	%	£	£	
Bristol	Unitary	0.000	-2.9%	-2.9%	-54	-54	Min Lab
Leeds	Met	0.000	-3.6%	-3.6%	-56	-56	Lab
Manchester	Met	0.000	-3.6%	-3.6%	-69	-70	Lab
Nottingham	Unitary	0.000	-3.7%	-3.7%	-71	-71	Lab
Sheffield	Met	0.000	-4.3%	-4.3%	-76	-76	Lab
Liverpool	Met	0.000	-4.0%	-4.1%	-81	-81	Lab
Newcastle	Met	0.000	-4.4%	-4.4%	-86	-86	Lab
Birmingham	Met	0.000	-4.8%	-4.7%	-100	-98	Lab
England average			-2.8%	-2.3%	-53	-43	

Source: DCLG Local Government Funding Settlement



Tables 2 and 3 below show the top 10 winners and losers of the local government funding settlement 2016/17. They show that the settlement favoured shire districts and more affluent areas which have lower levels of deprivation; whereas the settlement disadvantaged metropolitan and London Borough authorities which experience higher levels of deprivation. This runs counter to the notion of redistribution of funding based on need.

Table 2

TOP 10 WINNERS FOR 2016/17 LOCAL GOVERNMENT SETTLEMENT							
Authority	Type	Transition Grant £m	Spending Power % change		Spending Power Change per Dwelling		Political Control
			Provisional	Final	Provisional	Final	
			%	%	£	£	
Rutland	Unitary	0.340	-0.8%	2.4%	-14	44	Con
Aylesbury Vale	District	0.081	6.0%	7.3%	18	22	Con
Cotswold	District	0.043	3.8%	8.4%	10	22	Con
Horsham	District	0.134	7.6%	8.6%	19	21	Con
Uttlesford	District	0.061	4.1%	6.6%	13	21	Con
Ryedale	District	0.025	0.1%	6.6%	0	21	Con
Eden	District	0.018	-1.2%	6.8%	-3	19	NOC
Hambleton	District	0.000	3.4%	9.3%	7	18	Con
East Devon	District	0.062	6.8%	8.5%	15	18	Con
Test Valley	District	0.054	6.3%	6.7%	16	18	Con

Source: DCLG Local Government Funding Settlement

Table 3

TOP 10 LOSERS FOR 2016/17 LOCAL GOVERNMENT SETTLEMENT							
Authority	Type	Transition Grant £m	Spending Power % change		Spending Power Change per Dwelling		Political Control
			Provisional	Final	Provisional	Final	
			%	%	£	£	



Birmingham	Met	0.000	-4.8%	-4.7%	-100	-98	Lab
Knowsley	Met	0.000	-4.2%	-4.2%	-95	-95	Lab
Camden	London	0.000	-4.0%	-4.0%	-94	-94	Lab
Blackpool	Unitary	0.000	-4.9%	-4.9%	-91	-91	Lab
Newham	London	0.000	-3.6%	-3.6%	-87	-87	Lab
Rochdale	Met	0.000	-4.5%	-4.5%	-87	-87	Lab
Newcastle	Met	0.000	-4.4%	-4.4%	-86	-86	Lab
Islington	London	0.000	-3.9%	-3.9%	-84	-84	Lab
Sandwell	Met	0.000	-4.2%	-4.2%	-84	-84	Lab
Liverpool	Met	0.000	-4.0%	-4.1%	-81	-81	Lab

Source: DCLG Local Government Funding Settlement 2016/17

One of the big pressures on local authority budgets is the rising demand for adult social care. In 2016/17 the Government permitted councils to raise additional funds for adult social care through a precept on council tax. This mechanism tends to favour councils with large council tax bases, as they can raise more from the precept. However many large urban authorities in the north and midlands have low council tax bases so cannot raise as much from the precept, yet these council areas also face the greatest demand for services and have fewer care users who have assets to fund themselves. The precept has a regressive effect because it is more difficult to raise the additional funding required from council tax in the most deprived areas of the country where the funding crisis is most serious, where residents have the lowest incomes, fewest job opportunities, and where the cuts to council grants have already been the most severe.

To conclude, the Core Cities along with most urban areas have taken the brunt of local government funding reductions: yet the demands on them, particularly for adult care, are higher than in other types of authorities, especially given their weaker tax base. The lack of adequate funding for adult social care has knock on effects on the NHS. A long-term solution to place-level health and social care funding is urgently needed.

Local authorities can make an important contribution to inclusive economic growth in their areas but are operating in an environment that hinders them, and the constraints that UK cities are under do not apply in many European countries.

- For instance the way that the Treasury accounts for public investment tends to treat investment in non-tangible assets such as skills as unproductive, therefore immediately written off and not appropriate to be paid for by borrowing. However capital investment is seen as investing in tangible assets, productive, written off over time and appropriate to be paid for by borrowing. One of the reasons for the UK's productivity gap is the historically low skill base of the workforce. Yet FE suffers from inadequate funding because it is largely public, revenue funded



and intangible. Investing in a person's skills has a positive effect on their workplace productivity and a secondary effect on their family and community, so should be seen as an appreciating asset. The same point can be made about preventative healthcare versus acute services and other areas where investment in prevention and early intervention is an 'invest to save'.

- Another reason for the productivity gap is low public investment in key sectors and infrastructure necessary to support productive growth. An example of this is the Public Sector Net Cash Requirement (PSNCR) and how it is used by the Treasury to control public spending. The assumptions within this accounting mechanism treat investment in public services that either supports tax-take or provides a rate of return as the same as other public spending. The PSNCR leads to a restriction on investment in social house building because it would increase short term public borrowing, whereas delivering more social housing would cut the revenue bill (by reducing the housing benefit bill) and provide an appreciating asset with a long term revenue stream to support the borrowing (through rents). This constraint does not apply in many countries and they have more quality public housing and more stable, inclusive housing markets as a result.

What type of metrics for inclusive growth can be developed to support this?

We would support the notion of a 'quality GVA' measure as GVA is too narrow a measure of growth and does not capture whether growth is inclusive. It is important that the Office of National Statistics and other relevant Government departments (e.g. HMRC) are involved in this.

As a general point, we would suggest that the metrics, as far as possible, routinely use available public data, as this will lead to more efficient collection and a consistent data set, rather than relying on bespoke surveys. However we accept that the current measures are inadequate and if there was a simple solution to the measurement of inclusive growth, it would probably already be measured.