



INCLUSIVE GROWTH
COMMISSION

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Inclusive Growth in Plymouth

Evidence hearing 2 Writeup
28 September 2016

The RSA Inclusive Growth Commission is running four evidence hearings across the country during the course of its inquiry. The first took place in Sheffield on the 29 June, 2016. The second was hosted in Plymouth on 28 September, 2016. The hearing called upon senior leaders to give evidence to the Commission in a series of three panel sessions.

Each of the panel sessions featured leading figures from within Plymouth and the wider sub-region, and includes those from business, the third sector, public services and councils.

The evidence gathered through the hearing will serve to enhance the Commission's understanding of how the inclusive agenda plays out at a place level, and will be used to inform the development of our findings and recommendations.

The evidence session was chaired by:

Stephanie Flanders

Chief Market Strategist for J.P. Morgan and Chair of the Inclusive Growth Commission

Charlotte Alldritt

Director of the Inclusive Growth Commission and Director of previous City Growth Commission

Ben Lucas

Director at Metro Dynamics and Commissioner for the Inclusive Growth Commission

Pannellists

Session 1:

- Tracey Lee, Chief Executive of Plymouth City Council
- Chris Garcia, Chief Executive of the Heart of the South West Local Enterprise Partnership
- Dave Hodgson, Assistance Director Finance for Exeter City Council
- Cllr Andrew Leadbetter, Cabinet Member for Economy, Growth and Cabinet Liaison for Exeter at Devon County Council
- Sir Michael Lyons, Chair of the English Cities Fund

Session 2:

- Captain Phil Waterhouse, Royal Navy
- Dave Young, Group Managing Director and founder shareholder in the Una Group Ltd
- Kate Nicholls, Head of Innovation at Sponge UK
- Steve Hindley CBE DL, Chairman of the Midas Group Ltd

Session 3:

- Jerry Clough, Chief Operating Officer, Western Locality, Northern, Eastern and Western (NEW) Devon Clinical Commissioning Group
- Professor Dafydd Moore, Interim Pro Vice Chancellor for Research and Enterprise and Dean of the Faculty of Arts and Humanities at the University of Plymouth
- Roger Pipe, General Manager for Millfields Community Economic Development Trust
- Father Sam Philpott, Commissioner on Plymouth Fairness Commission and member of the city's Child Poverty Working Group

Panel Session One

Tracey Lee, Chief Executive of Plymouth City Council – opening statement

Tracey identified some of the key inclusive growth challenges facing Plymouth, how the council and local leaders are tackling these and what is needed to create a more inclusive economy. She emphasised that economic development and social inclusion are intertwined, and noted that:

- Plymouth is the 15th largest city in the UK. Geographically, it is part of the 'far' South West (rather than the South West, which people tend to associate with cities such as Bristol). It is 120

miles from the closest Core City (a two hour train journey) and connectivity is a massive issue.

- The city was built on its proud naval and maritime heritage and has a strong manufacturing base. 20 percent of marine manufacturing in the UK happens in the city, and much of the Plymouth and South West Peninsula City Deal revolves around supporting and modernising the marine manufacturing sectors. This will deliver benefits for Plymouth but also the wider region.
- Employment rates are high in the city, but many people are under-employed and while Plymouth has higher than national average wage levels, this conceals significant disparities. Youth unemployment is at a historical low but has been creeping up recently.
- The council and partners have developed a Plymouth Plan for growing the city over the next 20 years. A key part of this is getting the economics right, including growing the population from around 263,000 to 300,000. Plymouth, in a similar way to many other UK cities, is undersized and it is important to address this.
- Plymouth has a Plan for Homes and a Plan for Jobs. The former is an ambitious plan to build 21,000 new homes (which is on track). This has involved working closely with the private sector through public-private partnerships, releasing land and building genuinely affordable homes on released lands, with an aim of reducing the priority need list by 20 percent. The Plan for Jobs aims to create 19,000 jobs, and the City Deal is pivotal to that.
- The geography of growth and regional connectivity is important to consider. Tracey emphasised that inclusive growth happens at a variety of levels and a key part of it is about regional growth and that national growth agendas for the regions should not just be about the 'Northern Powerhouse' but also other parts of the UK. Connectivity is a central part of this agenda.
- The city has increasingly been thinking about how to rebalance its economy, respond to challenges and make growth more inclusive. This has involved building a stronger understanding of how Plymouth needs to grow, where future growth will come from, and meeting challenges such as shifting from public sector employment to much more private sector jobs. The city has created a £20 million investment fund to generate more jobs and better enable businesses to create more jobs in the city.
- Empowering neighbourhoods and communities to participate in the economy is

a key focus, and so is the health agenda. Health inequalities particularly impact people in more disadvantaged communities, and this impacts their job prospects and by extension the productive potential of Plymouth. People are living longer, but also living longer in ill-health. A big part of the health agenda is improving mental wellness, so that people are able to move into employment or in a position to be able to train to do work in the future. Tackling child poverty and poor dental health is also an important part of the city's agenda.

“Plymouth and neighbouring places want to be able to have the tools to innovate, not just across their individual boundaries but across the South West

- In terms of the barriers and potential enablers of more inclusive growth, the skills agenda is a big issue. Tracey described the “spaghetti” of skills funding and how the fragmentation within the system needs to be addressed.
- In addition, there needs to be a stronger devolution drive – Plymouth and neighbouring places want to be able to have the tools to innovate, not just across their individual boundaries but across the South West. Localities need to be able to be clear about what is needed at a local authority level; what is best done at a functional economic area; and what is best done within neighbourhoods and with individuals. Local places need to be able to commission on this basis. In this context, central government needs to let go so that they can shape the sort of support that is needed for people and communities.

Chris Garcia, Chief Executive of the Heart of the South West Local Enterprise Partnership (LEP) – opening statement

Chris Garcia has a background in both the private and public sector. He provided evidence on how the LEP and how organisations, businesses and leaders within the sub-region are promoting inclusive growth, including how this agenda can be served by a focus on connectivity and productivity. He noted that:

- The sub-region sees the LEP as a ‘platform’. Its success and momentum is driven by the vision and energy of the partners involved – and this is how its direction is set and guided. The LEP

recognises the critical role that business plays in driving prosperity. While the public sector can set the ambitions, it is business that drives wages, growth and employment.

- The LEP builds on priorities that partners develop – and looks to attract investment against these priorities, and deliver change. This is quite a different vehicle to the Regional Development Agencies (RDAs) of the past, who received funding direct. Chris described the LEP itself as being “entirely an animal of partnership”.
- The LEP sub-region is home to 1.7 million people. 90 percent of it is rural, while 40-50 percent of its residents work in urban areas – which brings an important geographical element to inclusive growth.
- The LEP area is closer to full employment than many parts of the country, but this conceals significant disparities and challenges. Out of the 39 LEPs (at the time of the evidence hearing) across the country, it is ranked 32nd (close to the bottom) for GVA per hour, and 38th for GVA per job filled. So there is a lot of disparity, a lot of part-time working, and a lot of in-work poverty.
- The area, its complex geography, diversity and unique challenges are often poorly understood from Whitehall.
- The economic and physical geography of the sub-region presents particular challenges. The LEP area is sandwiched between an area of the West of England where you will find the highest levels of productivity and growth, and some of the areas of west Devon and Cornwall where you will see the lowest levels. From the perspective of the LEP, this means you have to look broader than just single local authority areas – you need to look at the region, the different areas within it and the connectivity within them.
- In relation to the above, there is a noticeable correlation between areas with the lowest levels of output and weaknesses in connectivity.
- The LEP focuses its priorities around three sets of objectives:
 - 1. Improving connectivity. Improvements in roads, railways and broadband are most regularly cited by business people as central to improving their performance.
 - 2. Improving productivity. This is about enabling and facilitating those businesses that are seeking to grow to access better markets, higher skills, and to improve productivity. Focusing on productivity is central to inclusive growth. It can enable the creation of better jobs, higher wages and longer term prosperity.
 - 3. Ensuring the LEP region has global distinctiveness. This is about identifying and developing the special characteristics of

the sub-region – for example in Plymouth this might be the marine sector, and in other parts of the region it may be the nuclear sector. Establishing a global reputation is considered vital to drive productivity growth.

- The above objectives feed into a policy framework that is delivered with a segmented focus on three domains: place, business, and people.

Dave Hodgson, Assistance Director Finance for Exeter City Council – opening statement

Dave looked at the inclusive growth challenge from the perspective of Exeter, picking up on the theme of regional collaboration and connectivity. He stated that:

- The proposed devolution deal across Devon and Somerset councils covers 17 local authorities.
- Exeter is a relative success story in terms of having near full employment. Its administrative structure is also different to Plymouth – it is a second-tier local authority that has to work with the County Council to get its plans moving.
- Exeter is an ambitious council in delivering growth, but it is focusing increasingly on improving the quality of that growth. It is close to full employment, but the challenge is now how to move towards higher paid jobs, and creating higher quality, more knowledge-based jobs in the area and keeping them.
- For Exeter, like the rest of Devon and Somerset, connectivity is a real barrier – as Chris Garcia mentioned, in terms of ‘roads, rail and broadband’ Exeter is slightly more fortunate than Plymouth in that the train journey to London, for example, is an hour less than the latter. But connectivity is still a significant barrier.
- There is a key challenge around graduate retention. 40 percent of Exeter’s 19-24 population leaves Exeter between the ages of 24-29.
- Another key issue is that Exeter is relatively small with very tight boundaries, and has thus run out of physical space to grow. This is one of the reasons why establishing stronger relationships with neighbouring local authorities as well as the county is essential. Thus, most of the work Exeter is doing in terms of economic strategy and investment looks at those outside of its boundary areas.
- Addressing disparities and pockets of exclusion within the sub-region (for example in rural areas) is essential. For the Heart of the South West area, the key issue is how to ensure growth is inclusive across the region – and how it

is delivered to parts of the region that have traditionally struggled.

 **The challenge is now how to move towards higher paid jobs, and creating higher quality, more knowledge-based jobs in the area and keeping them**

- Dave identified two ways of achieving prosperity that is spread across the sub-region. This can involve either targeting individual areas with small investments (which may not necessarily be efficient), or by improving regional connectivity so that people in more marginalised parts can access more economic and employment opportunities.
- Examples of existing shared projects that cross council boundaries include the Exeter Science Park, in collaboration with Devon County Council and East Devon District Council .
- While there is currently no formal agreement as far as devolution is concerned, there is an Exeter board that brings together all the parties to work on a plan. A shared spatial plan could be the next step, or it could be wider if the Combined Authority and devolution deal are taken forward. This could include other forms of cross-boundary collaboration or integration such as revenue sharing.

A big part of the agenda is about growing the brand of Exeter. In the absence of significant additional funds, it is about developing the city as a real draw to the area, and making sure the city remains a great place for people to visit and live in.

Cllr Andrew Leadbetter, Cabinet Member for Economy, Growth and Cabinet Liaison for Exeter at Devon County Council – opening statement

Cllr Leadbetter emphasised the untapped economic potential of the South West and the need to reform the way in which infrastructure investment decisions are made in the country, in order to promote more inclusive growth. He argued that:

- The economic narrative in the UK should be about more than just the Northern Powerhouse or London and the South East. The perception of the South West is often about its greenery and attractive coasts, but the region is also a hub

of important economic activity – it has great universities, business parks, science parks, and a strong desire to make an active contribution to UK PLC.

- The region has experienced years of a lack of investment – “we feel forgotten about.” For example, the railway infrastructure is very outdated, and the trains being used are 40 years old.
- There is a strong need for a new approach to infrastructure investment in the country – including reforming the way in which money is awarded and ensuring it is informed by long term planning.
- As an example of some of the current challenges, while Devon County Council has worked hard on improving the A303, A30 and Devon link road, this is being adversely impacted by cuts and a lack of funding. Councils cannot afford to commission studies on improvements and are unable to secure the match funding that is often required by government for investment.

“There is a strong need for a new approach to infrastructure investment in the country – including reforming the way in which money is awarded and ensuring it is informed by long term planning

- It is vital to have more money available to meet the infrastructure needs of the region – in terms of railway, roads and most importantly broadband. For example, 10 percent of Devon and Somerset does not currently have broadband coverage. Digital connectivity is vital especially in rural areas.
- There is no specific budget for such infrastructure improvements – rather the county/region has to bid for local transport improvements and major transport infrastructure such as link roads. Devon gets around £7-8 million per year through the local transport majors fund and the local growth fund. The Heart of the South West LEP has £100million of EU funds (for the 2014-2020 period) available but this spans a broad range of investment and does not cover major infrastructure.
- A significant part of the reason why infrastructure improvements are not realised and the region tends to lose out in terms of infrastructure investment is because securing

investment relies on a highly competitive process based on traditional methods of cost-benefit analysis. The LEP is in competition with other LEPs, and it struggles in terms of the GVA yardstick and the ability to bring in private sector leverage. In addition, 90 percent of its areas are rural and the geography of the sub-region is fragmented and divided by large distances. Green Book evaluation methods thus show that the return on investment is less, and that infrastructure improvements would be more expensive. In terms of traditional measures of performance, the sub-region comes up fairly poorly.

Sir Michael Lyons, Chair of the English Cities Fund – opening statement

Sir Michael Lyons discussed the English Cities Fund and the work it has supported in Plymouth since 2005. He noted that:

- The English Cities Fund innovation was established as a response to the Urban Task Force, with a focus on finding ways to direct more institutional investment into urban regeneration.
- The platform chosen for this was a public-private partnership (PPP). Three investors were involved: the Home and Communities Agency (HCA), Legal and General and Muse Developments, the development partner. The development manager helped to identify and manage developments whilst Legal and General is the Investment partner responsible for approving investments.
- The English Cities Fund was established to work only in cities, and has had a long term relationship with Plymouth. While Plymouth has often been known as the “exit point of British ferries”, the city’s connectivity with the sea is “extraordinary.”
- The Fund brings a long term view to Plymouth’s regeneration needs. It has 19 acres of development and there is a commitment to mixed use development.
- The Fund’s work is premised on the view that for urban regeneration to be successful it is vital to establish a strong relationship with the local authority as the planning authority and steward of a place. The Fund has only established relationships where it has felt there is strong local leadership – not just leadership amongst individuals, but connections across local government. One of the key learning points from the project thus far is that developing long term relationships with councils gives you confidence and with some local authorities had led to a risk sharing approach.
- Big infrastructure is required in the area. Recouping some money from earlier

investments to keep investment rolling is a hallmark of how business is done.

- The Fund has achieved significant results already – virtually everything built in the area is able to be sold. It has been successful in establishing Millbay “as a place people want to live.” The housing is a mixture of affordable and homes for sale, and has been sold to local people. There has also been progress on making this about more than just homes: a new free school has been established, as well as commercial properties.
- A big challenge for future build is that at the moment we are facing not only problems of substantial infrastructure issues but also a restricted response from the construction industry. The project is tendering for new construction, but there is a limited number of submissions, price inflation is higher than is justified, and things are moving slower. This is a clear regional expression of a national problem. The construction industry has declined over time, and it is vital that we pump that capacity.

Overview of other key points during evidence discussion

The panel was asked about the skills challenge and how more concrete powers and control over the skills and employment support system was at the top of the wish list of many place leaders across the UK. A question put to the panel was whether they would like to see complete control over all aspects of the system, including 16-18 education.

- It was noted that through the devolution work Plymouth and councils across the Heart of the South West LEP area are establishing a Skills Commission to understand what it is that the sub-region needs to do and how the system might be constructed in the future.
- An important part of this is understanding what the skills system might look like from a South West perspective – including what powers the sub-region would need, how national plans and frameworks can work better, and how we can address the disconnect between different elements, such as the Work Programme and the skills agenda. It is important to link the question of how skills and employability might work best with the question of how cities function economically. It is important to disentangle the whole system. As one participant noted, “The starting point should be equal partners sitting around the table, designing what works best for the South West.”
- The Adult Skills agenda is also very important. One of the challenges for Plymouth and the sub-region is that people are in employment, but how do you move from a job to a career,

and be able to support people to switch careers. Equally, how do you manage the process of supporting people to move out of low paid employment, to retrain and find sustainable jobs. There is a big opportunity in the post-16 agenda, as well as in careers advice and guidance.

- Building on the points above, it is important to think about how the skills and employment support system can be “rewired.” The integration of health and social care has taught Plymouth that if you start from a different frame, by understanding the real problem, and focus on fixing it, you arrive at a different position. The issue is that there are a multitude of different funding streams – so rewiring the system is key.
- It was noted that since the LEP has been established, there has been much more cooperation between partner authorities, which has worked well and paves the way for the sub-region to take on greater powers.

 **The starting point should be equal partners sitting around the table, designing what works best for the South West**

Participants further discussed earlier points about the issues around investment and infrastructure, opportunities around what replaces EU structural funds and the big challenge of job insecurity.

- There is a big opportunity to redesign structural funds (with no net disbenefit) following Brexit. One participant described a “once in a lifetime opportunity” in terms of how this restructuring is done and how it enables local areas to devise local solutions. It was noted that a lot of resources come from structural funds but at the moment the funds are very difficult to access, complex and highly centralised. We therefore have an opportunity for innovation and new policy approaches around how these funds can be developed to deliver certainty, local control and revenue.
- Participants were asked whether the LEP is the right mechanism to deliver the above. It was argued that local partners are not precious about what platform delivers this – whether it is the LEP or the proposed Combined Authority. The critical issue is ensuring partnership and local agreement, as well as a strong focus on unique attributes of different parts of the sub-region (for example, marine manufacturing in Plymouth).

- Viability challenges also remain in some areas and securing gap funding for these developments is key. Participants were asked about the difficulties in securing investment when traditional assessment measures meant the region would always offer a low return, and whether there was an 'inclusive growth' alternative or supplement to Green Book methodologies. It was reiterated that the biggest issue was that the LEP region is always in competition with others, and therefore the focus is always on meeting criteria – “if you don't hit the criteria, you don't win.” The work the LEP has been doing has been seeking to extend this scope. For example conventional transport measures are very narrowly focused on road infrastructure and the economic benefits derived from this, whereas the LEP is exploring the wider economic benefits for the whole community. This is seen, for example, in the link road proposals, which would connect peripheral areas back into the opportunities provided by the sub-region.
- A key point was also made, by Sir Michael Lyons, that the conventional approach to infrastructure investment takes a very narrow view of what capital assets are – failing to take into account human capital, social capital and natural capital. When you bring these types of assets into the assessments, you have a wider set of choices to make. The danger at the moment is that we do not define these types of capital investments, and anything other than hard physical infrastructure is seen as consumption, when in fact some of it is really investment.
- Reiterating an earlier point, it was argued that “any talk of an industrial strategy should start with construction.” The significant challenges facing the construction industry (such as skills shortages) present particular challenges to the UK. Participants linked some of these issues to the lack of job security affecting the sector – the issue is not just one of the flows into the sector (through training) but also the flow out, with a significant loss of skilled people. When people that used to work in construction are asked why they do not come back, they identify the lack of employment security as the key factor.
- In terms of the degree to which devolution deals will unlock investment into much needed infrastructure, one participant identified the five year gateway reviews as a key barrier in the context of limited financial resources for councils. Local authorities are likely to be reluctant to pursue long term projects because of the risk of losing finance investment after five years, and having to fall back on existing resources which have been dwindling fast. For one participant, “having five year gateways makes it almost impossible to invest.” It was

argued that current combined authorities that have devolution deals “don't know what to do with the money because if they don't meet the gateway, in five years it will be gone.”

Regional collaboration – for example local authorities within the sub-region identifying and leveraging their complementarities – was recognised as a positive development over the past five years in particular:

- It was recognised that years ago the different authorities would not have worked together in the manner that they are doing now..
- The relationships between different councils have now matured significantly, and they are much closer to “speaking as one voice.” There is a growing confidence in partnership working.

“Connectivity should extend beyond infrastructure and can also include beginning to reconnect social and economic policy, so that traditionally peripheral places are connected to growth opportunities

- Stronger partnership working has occurred in the last five years in particular. The joint work on railways was identified as a key driver of this, as it is a shared major infrastructure issue that can only be addressed by building collective clout
- The regional economic strategy (the Heart of the South West ‘productivity plan’) is also very much about building on the various strengths and complementarities of different parts of the sub-region – whether that’s the marine sector in Plymouth, data analytics in Exeter or nuclear energy in other parts of the sub-region. This is also underpinned by an infrastructure plan, as well as clarity funding and priority setting, for example in terms of inclusive growth whether that’s about fiscal investment into roads or joining up the skills agenda.
- Connectivity should extend beyond infrastructure and can also include beginning to reconnect social and economic policy, so that traditionally peripheral places are connected to growth opportunities. Transport connectivity was identified as a ‘quick win’ to begin to realise the economic potential of the North, but that it was only one part of the solution: inclusive growth requires addressing the more complex

challenges which can help realise significant benefits – for example raising education and skills levels particularly in places with high levels of deprivation and weak labour markets.

- An important part of making this collaboration more effective has been conscious efforts to build trust and confidence. For example, the work with the Local Transport Board has been about leading organisations working together, being clear about what is needed, and making sure this is all programmed in, with long term planning.
- The changing policy context and levers available has also helped to drive a different, more collaborative dynamic within the sub-region. For example, now the various authorities would bid for major infrastructure as Heart of the South West, while in the past there would have been individual bids to the RDAs.
- It was recognised that it was also important to look at broader boundaries, especially when developing investment strategies for supporting globally significant economic clusters and ensuring that they are truly place-based in order to deliver inclusive growth. In this context, the sub-region has a common agenda with the West of England and Gloucestershire, in terms of the opportunities around the nuclear and marine sectors.

infrastructure issues, particularly in terms of attracting talent into the city?”

- The Royal Navy also serves an important community function, getting involved in outreach into communities.

It was argued that the relationship between the MOD and the City of Plymouth has matured significantly over the past 10 years. Before then, it was essentially about supporting the Royal Navy in Plymouth, while now it is much more about how the Royal Navy supports Plymouth. Much of this has been linked to the securing of Devonport as a dockyard in the future, which has enabled more productive relationships to develop. It was also argued that some of the challenges were rooted in the fact that the MOD and the council are large organisations with a significant amount of bureaucracy which can sometimes make collaboration more difficult.

Dave Young, Group Managing Director and founder shareholder in the Una Group Ltd – opening statement

Dave Young is also the Vice Chair of Devon and Plymouth Chambers of Commerce. He discussed the “peripherality” of the region, the skills challenges and the need to break down silos. He noted that:

- The region tends to have low economic returns on investment because it is seen as peripheral. Access to finance is limited and skills shortages also result from the peripherality.
- Citizens often don’t recognise the substantial interdependencies across the city and region. Despite these interdependencies, most strategies continue to be delivered in siloes. We have traditionally been quite poor at executing initiatives that cut down these siloes.
- However, some of the initiatives we are seeing in Plymouth are beginning to address the above issue, for example the integration of health and social care. The Una Group is involved in an initiative working with a charity to deliver a cardiac lab in a derelict site, treating NHS patients – showing the potential of collaborative working. This is what is needed – breaking down archaic systems, and implementing new models of delivering on the ground.
- There is too much complexity in getting surplus land released for development – for example with the MOD. Breaking down these bureaucratic processes is critical.
- It is currently very difficult to deliver the growth needed because of significant barriers and handicaps – such as the cost of finance, levels of demand and size of the population. These issues need to be addressed.

Panel Session 2

Captain Phil Waterhouse, Royal Navy – opening statement

Captain Phil Waterhouse described the local economic footprint of the Royal Navy in Plymouth and the way in which the relationship between the Ministry of Defence (MOD) and the city of Plymouth. He noted that:

- The Royal Navy has been in Plymouth since 1689 and it is still a big player economically. It employs 12,000 people on a daily basis, with 20,000 movements in and out of the dockyard. 20,000 people living in the local area (Plymouth and slightly beyond) are related to someone that works in the Royal Navy and lives in the area.
- The Royal Navy is closely connected to the STEM agenda and cultural activity in the city such as Mayflower 400 celebrations and the development of the new History Centre and is an integral part of the city in this respect. Historically, one of the issues the city has is an “identity problem,” in addition to the

- Picking up on earlier points, the region has missed out “for decades” from the central allocation of funds and infrastructure investment. Until infrastructure needs are assessed differently, the region will continue to miss out, which will in turn affect inward investment and the attractiveness of the area.

There is a lack of enterprise education in schools in general. This is starting to be addressed in Plymouth through more opportunities for embedding an enterprise spirit in education and more innovation in delivery models for the future.

“Until infrastructure needs are assessed differently, the region will continue to miss out, which will in turn affect inward investment and the attractiveness of the area

Kate Nicholls, Head of Innovation at Sponge UK – opening statement

Kate Nicholls emphasised that inclusive growth provides a big opportunity to small businesses, who have a key role to play in tackling inequalities. She discussed the enterprise potential in Plymouth, how her family’s small business has grown, and what some of the constraints are on business growth and more inclusive economies. She noted that:

- Kate described the work her business does – which is to create digital learning programmes. Clients are both national but also international, with 40 percent of the work coming from Europe. It is a family owned business that has grown eight fold in the last five years with a current turnover of £4m and 70 employees. The people employed tend to be very high skilled, in the fields of learning design and software development. It is the fastest growing business in the Plymouth Science Park.
- The business is particularly interested in the role that creativity plays in driving business growth. It has a strong values base and has established a Research and Development department.
- Digital business in Plymouth is growing and increasingly contributing to the economy. This is helping to raise the profile of Plymouth as a draw for students to live and stay in the area.
- The business has benefited from being part of the Plymouth Science Park – it has collaborated

from other organisations in the Park and has taken advantage of opportunities around business mentoring.

- One of the key challenges has been that it is often difficult to draw people to the area that have the skills levels needed. The business has sought to address this by starting 12 month long university programmes within different departments of the company. Another issue has been the digital infrastructure available and the UK’s relative lack of investment into it. Kate cited the city of Chattanooga, which has a much smaller population than Plymouth but has broadband speeds of 10GB per second, which has delivered \$836 million in economic and social benefits. Better digital connectivity could help businesses such as Sponge UK do more and add greater economic value. For example, hyper-fast connectivity would allow Sponge to expand its work in learning games and develop more complex, multiplayer technology, which in turn would boost jobs and open up new markets.
- The skills challenges and poor transport infrastructure has also led to the business spending around £125k per year on travel alone, between its base in Plymouth and office in London.

Steve Hindley CBE DL, Chairman of the Midas Group Ltd and Chair of the Heart of the South West LEP – opening statement

Steve Hindley reflected on his experiences in the construction industry, and the challenges around growth, skills, investment and infrastructure. He noted that:

- Midas has grown more than 10 fold in the past 15 years. The business started 40 years ago 30 miles from Plymouth but its recent growth has been more geographically spread. Employment is also higher than it was in the earlier years, and there are schemes for apprenticeships and training with graduates.
- However, the growth has been “very lumpy.” This is not just a result of the economic cycles associated with the industry, but also because the construction industry is “used as a tap that turns on and off” – with projects regularly put on hold, which can lead to job losses. The EU Referendum Leave Vote has heightened these pressures.
- British SMEs (including regional companies) in the construction industry struggle because the large European contractors tend not to work much with British companies. Despite Midas having positive engagement with national policymakers on working more with SMEs, government commissioning continues to be largely limited to big multinational

builders. For example, the Education Funding Agency tends only to contract larger companies to build schools despite the significant experience and expertise of smaller companies such as Midas.

- As Chair of the LEP, Steve stated that it has worked very well in terms of developing strong, local partnerships to promote local growth and inclusion.
- Steve reflected that in the time that he has been working in this area, there has been very little change in terms of what the key problems are and the lack of policy commitment to address them – “with the exception of broadband, we are talking about exactly the same things and problems.” There has been a persistent failure to tackle the infrastructure problems.
- A key problem with the British economy is the inherent short-termism – in contrast to countries such as Germany, which have a long-term focus. The planning system is also not fit for purpose in terms of building homes. We are also not addressing the long term structural challenges around skills. Policies such as the Apprenticeship Levy will not adequately address this issue – we need to look at major reforms, such as a bigger focus on technical schools and having a skills system that builds careers, rather than just gets people into work.

“ A key problem with the British economy is the inherent short-termism

Overview of key points during evidence discussion

Participants discussed the challenges facing the construction industry and infrastructure investment more generally.

- It was argued that the UK manages the cyclical nature of construction employment poorly in comparison to counterparts in countries such as France and Germany, where there is more active interventionist support and the response to recessions is quicker and more robust.
- There was also a discussion about the government’s interest in shovel-ready projects, which has increased following Brexit. Part of the challenge has been that some of the big infrastructure projects that are needed, such as work on the A303 and A14, would be ten years away because of the process you have to go through (such as planning and design). Nevertheless, the LEP region has been fortunate in that it has a list of projects that can be turned on quickly – and these are contained

in the LEP’s Growth Deal.

- In relation to the above, one participant also argued that the response in terms of infrastructure investment following the crash was too slow. More generally there are also issues with how decisions are made and projects are sustained.
- In addition to (and in connection to) issues around job security, many people that used to work in the construction industry that have left are unlikely to return because of the consequences of a lack of investment. Decades earlier there was significant government-funded investment into motorways, public housing and fast build innovation. This has now shrunk because of a lack of investment. In addition, we have not been building the skills that are necessary and in industries such as construction in particular an age gap is emerging (with few younger workers coming through). As one participant noted, “Unless we invest in infrastructure including broadband to an area like this, we are forever going to be fighting to keep young graduates.”

There was further discussion of skills for a digital economy, the relationship between businesses and schools, new business models and the value of breaking down silos.

- Kate Nicholls noted that 15 to 20 percent of Sponge UK’s employees are young graduates, and a lot of them come from Plymouth because the city has a good digital university. She emphasised that some of the key skills needed for businesses like hers are communication, understanding business needs, and commercial acumen. Many of the skills are not strictly taught (‘soft skills’). This is where initiatives such as the Skills Passport in Plymouth are making a difference, by helping to build young people’s “life skills.”
- Another participant emphasised that there are different operating models for infrastructure projects, for example the social enterprise model used by Plymouth Community Homes. This can help achieve more than the council can do alone – and is opening up new investment opportunities. This is especially pertinent to inclusive growth.
- In terms of the relationship between businesses and schools (and the curriculum), it was argued that at a LEP level further devolution could open up the opportunity to take greater local control (with business input) of careers advice, with the potential to transform it. One participant argued that in terms of the curriculum, there is already so much content within it, it can be difficult to add further elements. Another participant also reflected that while his company delivers a lot of activities in schools, some schools and teachers

have unhelpful attitudes about the desirability of children to go into industries such as construction.

- Participants reiterated an earlier point that there have been some very significant and positive changes over the past five years, in terms of the development of partnerships, the breaking down of silos and the engagement of universities such as Plymouth and Exeter.

Panel Session 3

Jerry Clough, Chief Operating Officer, Western Locality, Northern, Eastern and Western (NEW) Devon Clinical Commissioning Group – opening statement

Jerry Clough discussed the importance of integrating public services and aligning them with inclusive growth objectives.

- Integrating public services at a place-based level is extremely difficult to achieve because of the way in which services are currently configured and funded, which leads to a high degree of centralisation and fragmentation. Jerry cited a local example to demonstrate this. Plymouth recently established a new service for supporting young people's emotional health and wellbeing at a community level, linked to children's mental health services. But the process for reaching this had to involve every school to individually agree funding. Every head teacher of the schools then had to agree to pool money. This group of head teachers then had to agree to pool this money with NHS resources from the specialist CAHMS service. Progress was only made because the local authority works hard with schools and has good relationships with them. The end result was that through local collaboration and determination a vital new integrated service was created, but it had to go through a number of hoops and overcome a number of pieces of national policy.
- Plymouth City Council and the local CCG have established an integrated fund for wellbeing (with a gross of £638m including the direct schools' grant and £462m for commissioning integrated health and wellbeing services), covering a range of services including: public health, leisure services, housing, children's services, adult social care, primary care and community health services,. This is opening up the possibility for the council and health service (and other partners) to make integrated spending decisions. They have adopted a slogan of 'one system, one budget.' The platform has been created for integrated initiatives; and

now they are at the stage of developing services that take advantage of this. The young people's wellbeing service cited above is an example of the sort of local partnership and innovation that is being enabled.

- There is also significant potential for aligning these integrated initiatives with economic growth policies and investments. Prosperous and inclusive economies are essential to public health and wellbeing. Jerry stated that "we passionately believe that [inclusive] growth is the answer – prosperity defeats health inequalities, health services do not."

 **The stream of accountability rests so firmly in London – and giving us money doesn't necessarily change that**

- As a demonstration of how health services are seeing the promotion of inclusive local growth and long term prosperity as an important part of their remit, Jerry cited the example of the joint IT company that was set up by the CCG and Plymouth City Council. The purpose was to keep high-value jobs in Plymouth (rather than rely on companies from other regions) and to ultimately impact on the prosperity of the place and its investment prospects.
- The significant funding challenges facing health are not only impacting what services can deliver, but also making it more difficult to attract skilled health professionals.
- In addition to the funding issues, there is also an important question about the local health system and how it takes on accountability. One of the biggest challenges is central government departments' inability to think about control and performance in a different way. Regulators struggle to keep up as much with centrally prescribed performance targets and delivery as funding issues. Jerry noted that "*The stream of accountability rests so firmly in London – and giving us money doesn't necessarily change that.*"

Professor Dafydd Moore, Interim Pro Vice Chancellor for Research and Enterprise and Dean of the Faculty of Arts and Humanities at the University of Plymouth - opening statement

Professor Moore discussed the role of universities in promoting inclusive growth, focusing on three dimensions of the University of Plymouth: education, research (its twin purposes as a charity)

and its role as an employer. He also addressed the challenges faced by Higher Education Institutions (HEIs) in the current policy environment with particular reference to the subject of the commission. He noted that:

- Plymouth University is one of three higher education providers in the city, but is by far the largest. It has 30,000 students, with around 20,000 living in the city, and others spread across the peninsula.
- In terms of education, the university is broad-based with five faculties offering a full range of disciplines, from medicine to fine art. It is large in scale and broad in disciplinary span. 68 percent of students are from the south west.
- The university brings talent and energy to the city. It takes a strong interest in connecting students to the wider city – for example last year students provided 23,000 hours of volunteering.
- It also supports work placements and student start-ups in a responsible manner. The University ensures that this is not achieved in a way that undermines inclusive growth by damaging a delicate local economy through the provision of cheap labour.
- The university also sponsors or co-sponsors four schools, including a University Technical College in areas of significant challenge in the city. This engagement supports improvements in the governance and leadership within the schools and has contributed to some significant improvements in school performance. However the University shares the wider HE sector anxiety about relying on too heavy an engagement of universities with education sectors outside their formal areas of expertise.
- There are a number of ways in which aspects of the university's research activity can support inclusive growth.
- One part of this has been about conducting and supporting social and economic research in relevant areas – for example the report of the Plymouth Fairness Commission, and the skills audit.
- Another element is attracting researchers to the city to live and work.
- The university also supports cultural place-making – engaging with, for example, the Plymouth history centre and cultural institutions in the city both large and small, and helping to create the cultural infrastructure in the city.
- It is also involved with the Plymouth Science Park (which provides a base for business to locate, network, learn and grow), the South Yard development that is helping to grow the marine sector, as well as a number of regional projects. For example, the South West was one of the first regions invited by BEIS to conduct a science innovation audit, which involved

Plymouth, Bristol, Bath, Cardiff, UWE and Exeter alongside representatives from the region's industries. Involvement in this ensured Plymouth's contribution could be better understood and expressed to government.

- The university also supports SMEs including work that helps them innovate. This also involves consultancy work.
- The university also promotes inclusive growth through its role as an employer. It directly employs almost 3,000 people and indirectly employs almost double that number. The university is also very well joined up with the council, working together on a number of large projects.
- Despite the important local economic role the university plays, Plymouth and other universities are facing significant challenges as a result of major changes brought about by government and a shifting policy landscape. This includes immigration policy and the changes that will result from Brexit. Professor Moore argued that this will erode universities' ability to play a civic role in many of the ways outlined. Such changes are affecting a range of areas, whether it is the emphasis on concentration of funding around supposed centres of excellence; the ability for the university to attract global intellectual capital into the region; through to changes in Disabled Students' Allowances making it difficult to support students; through to the overall level of investment in research in the country.

“ It can be difficult for universities to run themselves as a business while also performing the civic role they would like to play in the community

In common with all institutions, very little of the university's grant funding now comes from government, but the government uses the fact that it underwrites student loans to continue to characterise universities as publicly funded. While it does this, government also promotes a policy of competition in the sector, which has fuelled a marketisation of higher education which has in turn led to further regulation. Professor Moore suggested that most universities would want to be properly publicly funded providing public services, but the larger point was the tension between the different expectations born of the traditional model of universities and the new market-based model. Ultimately, it can be difficult

for universities to run themselves as a business while also performing the civic role they would like to play in the community.

Roger Pipe, General Manager for Millfields Community Economic Development Trust – opening statement

Roger Pipe discussed the importance of targeting interventions at a neighbourhood level, and the significant contribution that social enterprises can make to the inclusive growth agenda. He noted that:

- It has now become accepted wisdom that ‘trickle down’ economics – the idea that any sort of GDP growth regardless of its distribution will produce wider societal benefits – does not work. So if we would like to achieve inclusive economic growth, then we have got to do something different.
- Roger argued that this is not a new conversation – we could just as much have been having this conversation 30-40 years ago in the neighbourhood (Stonehouse) he works in. Stonehouse and the surrounding area has seen significant public and private investment – such as the regeneration of Royal William Yard. However, the community of Stonehouse has remained relatively untouched in comparison by the benefits of this investment.
- 25 percent of the working age population in the waterfront area, which Stonehouse is part of, still claims some form of benefit, amounting to nearly 3,000 people.
- The problem with many interventions for economic growth and labour market inclusion is that they are done at too big a scale. This includes, for example, job schemes (including the Work Programme), and also business support and skills activity, which tends to happen at a regional rather than neighbourhood level. To really make a difference to the lives and opportunities for people in the more economically disadvantaged areas, it is important for support to be targeted at a neighbourhood level and on an individual basis. In addition to ensuring interventions are individually tailored, it is also important they are sustainable and for the long term. Unfortunately there is a lack of such approaches today.
- A key part of what is needed is to invest in social enterprises that are able to take this different approach. We should not look at the private sector for all the solutions. Indeed, it is organisations such as social enterprises that tend to be most rooted in local communities and have the expertise to engage with and more effectively support disadvantaged groups.

- In this respect, Millfields Community Economic Development Trust is an organisation that runs a managed workspace and reinvests the profits from its private sector income to undertake work within neighbourhoods that tries to find long term solutions to the challenges of inclusive growth. Millfields works with young people from an early age and links the world of education to the world of work, in order to help break the cycle of exclusion experienced by people that are detached from their labour markets. A key part of this is providing support from a much earlier age.
- The council has played a critical enabling role in the development of social enterprises, and linking this to the city’s broader economic strategy and short to long term objectives. For example, the council has set up a Social Enterprise Fund and regards social enterprises as a key lever for a more inclusive local economy.

Father Sam Philpott, Commissioner on Plymouth Fairness Commission and member of the city’s Child Poverty Working Group – opening statement

Father Sam Philpott spent 37 years as a parish priest in St. Peter’s Church, which covers the Stonehouse ward and is amongst the most deprived parts of the city. After retiring from the parish, Plymouth City Council made him the independent champion for tackling child poverty.

- People in neighbourhoods that are characterised as ‘deprived’ do not like the word ‘*deprived*’ – the language we use when discussing and engaging with neighbourhoods that face significant challenges should be sensitive and appropriate. The language and narratives about the poor that have been used in the past and which continue today have created inaccurate and offensive stereotypes that make the challenge of inclusive growth more difficult to diagnose and address. For example, the division of people into the ‘deserving’ and ‘undeserving’ poor, and the depiction of people on benefits.
- If Plymouth is to achieve the Fairness Commission’s vision of a city where every citizen is valued and participates, then we need to change this language. If we want people to recognise their own self-worth (critical to promoting economic participation), then that begins with us recognising the value of people.
- Austerity has placed further burdens on poorer places. Father Sam cited examples such as the ‘Bedroom Tax.’

- The Fairness Commission listened to and gave a strong voice to those that are actually experiencing poverty and economic hardship. A central part of the Commission's purpose was to be the voice of the people that spoke to it.
- The Fairness Commission uncovered a great deal of feeling that a lack of fairness was holding back many parts of the city. It showed that Plymouth is a city of two halves. One half (the east and north) is relatively prosperous, while the other half (the west) is where there are the most significant challenges.
- Plymouth City Council has set itself a child poverty strategy. This comprises four key targets: (1) to help families on low incomes, (2) to support parents, (3) to deal with poor dental health and (4) to narrow the gap in education. Reflecting on his own experiences, Father Sam stated that he became a priest because he went to a decent school – it provided a way into a different experience of life where he could make the most of his skills and knowledge. Education is vital and the city's poverty advisory group recognises that.
- Citing the report of the Plymouth Fairness Commission, Father Sam described the vastly divergent life experiences and outcomes of those living in the most deprived and least deprived areas. If you are born in Devonport, St. Peters and the Waterfront or Ham, by the time you start school 64 percent of your classmates won't achieve the basic Early Years assessment level. There is less than a 35 percent chance that you will achieve 5 or more GCSEs, and you probably won't make it to further education. In contrast, if you are born into Widewell, Peverell or Compton, you have between a 50-60 percent chance of achieving your Early Years assessment and at least a 70 percent chance of getting 5 or more GCSEs. In addition, 35 percent of your classmates will go on to get a degree while you will have between a 67 to 76 percent chance of owning your own home.
- If an inclusive growth strategy is genuinely going to be inclusive and effective, it has to address the disparities described above. Father Sam said that it has to "*stop the next vicar seeing a mum on zero hours, earning less than the minimum or living wage, holding 3-4 jobs, looking as if she's 50 to 60 because of her poor health.*" He argued that the only way to stop that is to make sure the city becomes "a single community."
- The Fairness Commission was established in 2012 and its report was published in 2014. It has since produced follow up reports and has continued to hold key stakeholders to account, for example making sure that the city council, Plymouth University and other organisations are paying at least the living wage, and checking

the progress of Plymouth Community Homes' commitment and delivery of decent homes.

Overview of key points during evidence discussion

Participants further discussed and responded to questions about how communities can be engaged to help shape inclusive growth strategies, and how the service integration agenda can be taken forward.

- On what the triggers of better citizen and community engagement might be, one participant reflected on the importance of partnership over competition. Previously they had seen a lot of money for community initiatives being provided on a three year grant basis, but in a way that encouraged community groups to compete with each other. This achieved very little. In contrast, the work being led by the Millfields Trust provides an alternative approach. The Trust is owned by the community itself, and you are beginning to see a real determination for partnership between business, the city council and local people.
- In addition to the above, it is also vital to engage with people on a human level and to recognise their assets and potential, and not simply their deficits (as one participant noted, some people have been described as 'scroungers' all their lives, which is extremely disempowering). Even if people do not currently have the capabilities to participate effectively, it is vital to continue to invite them and help to build their skills and confidence.
- Participants were asked the extent to which the integration of health, social care and other services is enabling them to reprioritise services, focus more on prevention, change fiscal incentives and re-profile public expenditure. Participants responded that the integrated fund allows you to look across service areas and identify priority outcomes or prioritise the sort of support you provide (such as prevention). The problem with the latter is that when current resources are as challenging as they are, there is not the sort of incentives needed to move from short term to long term (prevention) approaches. The cuts to public health funding have made things more difficult. The integrated fund provides an important mechanism for new service models and priorities, there is a big challenge with the money available in the health system.
- In relation to the above, a shift towards prevention could be supported by the wider devolution discussion – making, for example, an investment case for additional resources for prevention. Plymouth's commissioning strategy already mentions moving more money

towards prevention, health and wellbeing, the community and voluntary sector, exploring the use of social impact bonds and investment into longer term issues (for example, there is currently long term investment into addressing alcohol misuse). While Plymouth is beginning to take long term action now, devolution can help this go further – but it is important that there is a commitment to public health and investment nationally.

“ We should avoid moving from a Westminster bubble into a local government bubble

Public attendees of the hearing also provided some input into the discussions, focusing particularly on the point about citizen engagement in inclusive growth.

- On the devolution process, a local councillor emphasised that we should avoid moving from a Westminster bubble into a local government bubble. We have got to find new ways to engage. The public sector is often not geared up for more imaginative forms of engagement, so it is important to build this capacity. The councillor also stressed that the inclusive growth agenda is not just about work and skills, but must also address the question of who has an ownership stake in the economy and means of production – what is the John Lewis model of inclusive growth? How do staff at all levels feel part of it, and how do we raise aspiration and engagement in poorer communities? The areas some of these communities live in have had enormous investment but still live in high levels of poverty. How do we truly give them a stake in the economy?
- On the role of higher education institutions, one participant argued that they would like to see methods for developing growth through an increase in civic engagement at a grassroots, and understand how people engage in a structured way with social issues in impoverished communities, and how they slowly develop through education, and become equipped with greater awareness.
- Another participant highlighted how the Plymouth Music Zone initiative and arts, music and cultural initiatives are providing a platform for increased engagement within marginalised communities, and the building of social capital, including ‘bridging’ capital that brings different communities together. The Music Zone alone engages with around 1,000 people every week,

and independent evaluations have shown its value in building social capital: people that engage as part of it, for example, build up 10 useful connections as a result.

- Another participant observed that it was interesting to see who wasn’t involved in the discussions about the big strategic economic issues. It tended to be senior officers and business representatives, which means that ordinary people are disconnected from this hugely important conversations. It would therefore be useful to have public events about policy where, for example, young people sit alongside LEP leaders, so that policies for inclusive growth can be translated in a meaningful way to the experiences of young people.

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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 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.



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